

PATENT  
10/568095

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Applicants: Robert Lee and Thomas Honey  
Title: NETWORK AUTHENTICATION WITH SMART CHIP  
AND MAGNETIC STRIP  
Application Number: TBD  
Filing Date: TBD  
Group Art Unit: TBD  
Attorney Dkt. No.: 2366-1-3

CERTIFICATE OF MAILING OR TRANSMISSION

"Express Mail" mailing label number: EQ168798904US  
Date of Deposit: 10<sup>th</sup> February 2006

I hereby certify that this communication, and any document being attached hereto, is being deposited with the U.S. Postal Service "Express Mail Post Office to Addressee" under 37CFR, Section 1.10 on the date indicated above and is addressed to: Mail Stop Petitions, Commissioner for Patents, P.O. Box 1450, Alexandria VA, 22313-1450 on this 10<sup>th</sup> day of February 2006.

  
\_\_\_\_\_  
Signature

**PETITION PURSUANT TO 37 C.F.R. § 1.47(a) TO MAKE PATENT APPLICATION  
FOR A JOINT INVENTOR WHO REFUSES TO JOIN IN THE APPLICATION FOR  
PATENT**

Commissioner for Patents  
Mail Stop Petitions  
P.O. Box 1450  
Alexandria VA, 22313-1450

Dear Commissioner:

Mr. Robert Lee respectfully petitions under 37 CFR §1.47(a) to make the above referenced patent application on behalf of himself and Mr. Thomas E. Honey. Mr. Honey is a joint inventor with Mr. Lee and refuses to join Mr. Lee in the application for patent. The appropriate fee pursuant to 37 CFR §1.17(h) is submitted with this petition.

1. On 26 May 2000, Mr. Haley of Graybeal Jackson Haley LLP filed a patent application with the United States Patent and Trademark Office (USPTO) under the Patent Cooperation Treaty (PCT) for UTM Systems Corp. (UTM). The patent application was titled NETWORK AUTHENTICATION WITH SMART CHIP AND MAGNETIC STRIPE, and received an application number, PCT/US00/14592. A copy of the filing receipt issued by the USPTO is attached as Exhibit A. The PCT application names the following inventors: Messrs. Robert Lee and Thomas E. Honey. A copy of the transmittal letter filed with the application is attached as Exhibit B.

2. Before the expiration of the 30-month deadline to enter the PCT application into the U.S. National Stage under 35 U.S.C. 371, some of UTM's creditors initiated a bankruptcy proceeding against UTM. Because of the bankruptcy proceeding, the 30-month deadline expired before UTM completed entry of the PCT application into the U.S. National Stage. A petition for the revival of the U.S. National Stage patent application has been filed and is currently pending. A copy of the petition to revive the National Stage patent application is attached as Exhibit C.

3. On 24 March 2005 (after the 30-month deadline expired), Graybeal Jackson Haley LLP requested relief from the bankruptcy Court's suspension of all debt collection efforts against UTM and its property to foreclose on the PCT application. A copy of the Motion For Relief from Stay is attached as Exhibit D. On 28 April 2005, the bankruptcy Court granted Graybeal Jackson Haley LLP's request for relief. A copy of the Order is attached as exhibit E. Then, on 30 May 2005 Graybeal Jackson Haley LLP concluded foreclosure proceedings on the PCT application and obtained ownership of the application.

4. On 10 October 2005 via email, Mr. Honey was requested to join in the revival of the National Stage patent application, and was presented a copy of the

application PCT/US00/14592 and a declaration for his signature to complete the revival. A copy of the email from Mr. John Janeway (attorney for Graybeal Jackson Haley LLP) to Mr. Honey, the application PCT/US00/14592, as published by the World Intellectual Property Organization and identified as WO 00/74007 A1, attached to the email, and the declaration also attached to the email, are attached as Exhibit F. The National Stage patent application is a copy of the application PCT/US00/14592.

5. On 03 November 2005 via email, Mr. Honey, through his attorney, expressed his refusal to sign the declaration shown in exhibit F, and thus refuses to join in the revival of the National Stage patent application. A copy of the email from Mr. James Davis (attorney for Mr. Honey) to Mr. Janeway is attached as Exhibit G. In the email date 03 November 2005, Mr. Honey, through his attorney, acknowledged receipt of the email dated 10 October 2005 and shown in exhibit F.

6. Mr. Honey's last known address is:

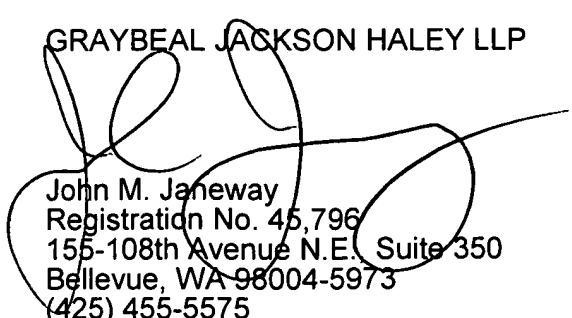
PMB 405  
1350 Beverly Rd #115  
McLean VA 22101

7. Because Mr. Honey refuses to join in the revival of the above-referenced National Stage patent application, Mr. Robert Lee respectfully petitions under 37 CFR §1.47(a) to make the National Stage patent application on behalf of himself and Mr. Thomas E. Honey.

Dated this <sup>10<sup>th</sup></sup> day of February 2006.

Respectfully submitted,

GRAYBEAL JACKSON HALEY LLP



John M. Janeway  
Registration No. 45,796  
155-108th Avenue N.E. Suite 350  
Bellevue, WA 98004-5973  
(425) 455-5575

# PATENT COOPERATION TREATY

From the RECEIVING OFFICE

To:

JEFFREY T. HALEY  
GRAYBEAL JACKSON HALEY LLP  
155 - 108TH AVENUE NORTHEAST  
SUITE 350  
BELLEVUE WA 98004-5901

## PCT

### NOTIFICATION OF THE INTERNATIONAL APPLICATION NUMBER AND OF THE INTERNATIONAL FILING DATE

(PCT Rule 20.5(c))

Date of mailing  
(day/month/year)

**30 JUN 2000**

Applicant's or agent's file reference

1624-16-1

**IMPORTANT NOTIFICATION**

International application No.

PCT/US00/14592

International filing date (day/month/year)

26 MAY 00

Priority date (day/month/year)

28 MAY 99

Applicant UTM SYSTEMS CORPORATION

Title of the invention

NETWORK AUTHENTICATION WITH SMART CHIP AND  
MAGNETIC STRIPE

1. The applicant is hereby notified that the international application has been accorded the international application number and the international filing date indicated above.

2. The applicant is further notified that the record copy of the international application:



was transmitted to the International Bureau on

**30 JUN 2000**



has not yet been transmitted to the International Bureau for the reason indicated below and a copy of this notification has been sent to the International Bureau\*\*



because the necessary national security clearance has not yet been obtained.



because (reason to be specified):

\* The International Bureau monitors the transmittal of the record copy by the receiving Office and will notify the applicant (with Form PCT/IB/301) of its receipt. Should the record copy not have been received by the expiration of 14 months from the priority date, the International Bureau will notify the applicant (Rule 22.1(c)).

3. FOREIGN TRANSMITTAL LICENSE INFORMATION

Completed by: *[Signature]*



Additional license for foreign transmittal not required. This subject matter is covered by a license already granted on the equivalent U.S. national application. Refer to that license for information concerning its scope.



License for foreign transmittal not required. 37 CFR 5.11(e)(1) or 37 CFR 5.11(e)(2). However, a license may be required for additional subject matter. See 37 CFR 5.15(b).



Foreign transmittal license granted. 35 U.S.C. 184; 37 CFR 5.11 on **6-12-00**:  
(date)



37 CFR 5.15(a)



37 CFR 5.15(b)

Name and mailing address of the receiving Office

Assistant Commissioner for Patents  
Box PCT  
Washington, D.C. 20231

Attn: RO/US

Facsimile No.

Authorized officer

*[Signature: Hal Sander]*

Telephone No.

International application No. <i>PCT/US00/14592</i>	International filing date <i>26 MAY 00</i>	Priority Date Claimed <i>28 MAY 99</i>
--------------------------------------------------------	-----------------------------------------------	-------------------------------------------

C. ☒ In order that U.S. National processing may begin, certain items must be received by the DO/EO/US by the expiration of applicable time limit under

☒ PCT Article 22 or

☒ PCT Article 39.

Specifically:

- ☒ 1. U.S. National Fee
- ☒ 2. Oath or Declaration
- ☐ 3. Copy of Application
- ☐ 4. Translation of application
- ☒ 5. Amendments under PCT Article 19, if any
- ☐ 6. Translation of PCT Article 19 Amendments, if applicable
- ☐ 7. Search Report or PCT Article 17(2) declaration
- ☐ 8. International Preliminary Examination Report and its Annexes, if any, under PCT Article 36(3)(a), if applicable
- ☐ 9. Translation of Annexes to the International Preliminary Examination Report under PCT Article 36(3)(b), if applicable

**THE ABOVE CHECK ITEMS MUST BE TIMELY RECEIVED TO AVOID ABANDONMENT OF THE APPLICATION.**  
[35. U.S.C. 371(a)]

D. Further information for the applicant:

**This is only a reminder.**

**UNITED STATES DESIGNATED/ELECTED OFFICE**

Address Only:  
Assistant Commissioner for Patent  
Box PCT  
Washington, D.C. 20231 Attn: RO/US

Authorized Office

*Hal. Saunders*

TRANSMITTAL LETTER TO THE  
UNITED STATES RECEIVING OFFICE

Date	26 May, 2000 (26.05.00)
International Application No.	
Attorney Docket No.	1624-16-1

I. Certification under 37 CFR 1.10 (If applicable)

EK481647685US
Express Mail mailing number

26 May, 2000 (26.05.00)
Date of Deposit

I hereby certify that the application/correspondence attached hereto is being deposited with the United States Postal Service "Express Mail Post Office to Addressee" service under 37 CFR 1.10 on the date indicated above and is addressed to Assistant Commissioner for Patents, Washington, D.C. 20231.

<i>Stephanie Cox</i>
Signature of person mailing correspondence

Stephanie Cox
Typed or printed name of person mailing correspondence

II. ☒ New International Application

TITLE	NETWORK AUTHENTICATION WITH SMART CHIP AND MAGNETIC STRIPE
-------	---------------------------------------------------------------

Earliest priority date (Day/Month/Year)
28 May, 1999
28.05.99

SCREENING DISCLOSURE INFORMATION: In order to assist in screening the accompanying international application for purposes of determining whether a license for foreign transmittal should and could be granted and for other purposes, the following information is supplied. (Note: check as many boxes as apply):

- A. ☐ The invention disclosed was not made in the United States.
- B. ☐ There is no prior U.S. application relating to this invention.
- C. ☒ The following prior U.S. application(s) contain subject matter which is related to the invention disclosed in the attached international application. (NOTE: priority to these applications may or may not be claimed on form PCT/RO/101 (Request) and this listing does not constitute a claim for priority.)

application no.	09/322,670	filed on	28.05.99 28 May, 1999
application no.		filed on	

- D. ☒ The present international application contains additional subject matter not found in the prior U.S. application(s) identified in paragraph C. above. The additional subject matter is found on pages 2-10 and ☐ DOES NOT ALTER ☒ MIGHT BE CONSIDERED TO ALTER the general nature of the invention in a manner which would require the U.S. application to have been made available for inspection by the appropriate defense agencies under 35 U.S.C. 181 and 37 CFR 5.1. See 37 CFR 5.15

III. ☐ A Response to an Invitation from the RO/US. The following document(s) is(are) enclosed:

- A. ☐ A Request for An Extension of Time to File a Response
- B. ☐ A Power of Attorney (General or Regular)
- C. ☐ Replacement pages:

pages		of the request (PCT/RO/101)	pages		of the figures
pages		of the description	pages		of the abstract
pages		of the claims			

- D. ☐ Submission of Priority Documents

Priority document		Priority document	
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- E. ☐ Fees as specified on attached Fee Calculation sheet form PCT/RO/101 annex

IV. ☐ A Request for Rectification under PCT 91 ☐ A Petition ☐ A Sequence Listing Diskette

V. ☐ Other (please specify):

The person  
signing this  
form is the:

<input type="checkbox"/> Applicant
<input checked="" type="checkbox"/> Attorney/Agent (Reg. No.) 34,834
<input type="checkbox"/> Common Representative

Jeffrey T. Haley

Typed name of signer

*Jeffrey T. Haley*

Signature

# PCT

## REQUEST

The undersigned requests that the present international application be processed according to the Patent Cooperation Treaty.

For receiving Office use only

International Application No.

International Filing Date

Name of receiving Office and "PCT International Application"

Applicant's or agent's file reference  
(if desired) (12 characters maximum)

1624-16-1

### Box No. I TITLE OF INVENTION

NETWORK AUTHENTICATION WITH SMART CHIP AND MAGNETIC STRIPE

### Box No. II APPLICANT

Name and address: (Family name followed by given name; for a legal entity, full official designation. The address must include postal code and name of country. The country of the address indicated in this Box is the applicant's State (that is, country) of residence if no State of residence is indicated below.)

UTM Systems Corporation  
10900 Northeast 8th Street, Suite 1110  
Bellevue, Washington 98004-4454  
United States of America

☐ This person is also inventor.

Telephone No.

425 643 6142

Facsimile No.

Teleprinter No.

State (that is, country) of nationality:

US

State (that is, country) of residence:

US

This person is applicant for the purposes of:

☐ all designated States

☒ all designated States except the United States of America

☐ the United States of America only

☐ the States indicated in the Supplemental Box

### Box No. III FURTHER APPLICANT(S) AND/OR (FURTHER) INVENTOR(S)

Name and address: (Family name followed by given name; for a legal entity, full official designation. The address must include postal code and name of country. The country of the address indicated in this Box is the applicant's State (that is, country) of residence if no State of residence is indicated below.)

LEE, Robert  
717 - 140th Avenue Southeast  
Bellevue, Washington 98005  
United States of America

This person is:

☐ applicant only

☒ applicant and inventor

☐ inventor only (If this check-box is marked, do not fill in below.)

State (that is, country) of nationality:

CA

State (that is, country) of residence:

US

This person is applicant for the purposes of:

☐ all designated States

☐ all designated States except the United States of America

☒ the United States of America only

☐ the States indicated in the Supplemental Box

☒ Further applicants and/or (further) inventors are indicated on a continuation sheet.

### Box No. IV AGENT OR COMMON REPRESENTATIVE; OR ADDRESS FOR CORRESPONDENCE

The person identified below is hereby/has been appointed to act on behalf of the applicant(s) before the competent International Authorities as:

☒ agent

☐ common representative

Name and address: (Family name followed by given name; for a legal entity, full official designation. The address must include postal code and name of country.)

HALEY, Jeffrey T.  
Graybeal Jackson Haley LLP  
155 - 108th Avenue Northeast Suite 350  
Bellevue, Washington 98004-5901  
United States of America

Telephone No.

425 455 5575

Facsimile No.

425 455 1046

Teleprinter No.

☐ Address for correspondence: Mark this check-box where no agent or common representative is/has been appointed and the space above is used instead to indicate a special address to which correspondence should be sent.

Continuation of Box No. III FURTHER APPLICANT(S) AND/OR (FURTHER) INVENTOR(S)

If none of the following sub-boxes is used, this sheet should not be included in the request.

Name and address: (Family name followed by given name; for a legal entity, full official designation. The address must include postal code and name of country. The country of the address indicated in this Box is the applicant's State (that is, country) of residence if no State of residence is indicated below.)

HONEY, Thomas E.  
2760 - 76th Avenue Southeast Apartment 403  
Mercer Island, Washington 98040  
United States of America

This person is:

- ☐ applicant only  
☒ applicant and inventor  
☐ inventor only (If this check-box is marked, do not fill in below.)

State (that is, country) of nationality:  
US

State (that is, country) of residence:  
US

This person is applicant for the purposes of: ☐ all designated States ☐ all designated States except the United States of America ☒ the United States of America only ☐ the States indicated in the Supplemental Box

Name and address: (Family name followed by given name; for a legal entity, full official designation. The address must include postal code and name of country. The country of the address indicated in this Box is the applicant's State (that is, country) of residence if no State of residence is indicated below.)

This person is:

- ☐ applicant only  
☐ applicant and inventor  
☐ inventor only (If this check-box is marked, do not fill in below.)

State (that is, country) of nationality:

State (that is, country) of residence:

This person is applicant for the purposes of: ☐ all designated States ☐ all designated States except the United States of America ☐ the United States of America only ☐ the States indicated in the Supplemental Box

Name and address: (Family name followed by given name; for a legal entity, full official designation. The address must include postal code and name of country. The country of the address indicated in this Box is the applicant's State (that is, country) of residence if no State of residence is indicated below.)

This person is:

- ☐ applicant only  
☐ applicant and inventor  
☐ inventor only (If this check-box is marked, do not fill in below.)

State (that is, country) of nationality:

State (that is, country) of residence:

This person is applicant for the purposes of: ☐ all designated States ☐ all designated States except the United States of America ☐ the United States of America only ☐ the States indicated in the Supplemental Box

Name and address: (Family name followed by given name; for a legal entity, full official designation. The address must include postal code and name of country. The country of the address indicated in this Box is the applicant's State (that is, country) of residence if no State of residence is indicated below.)

This person is:

- ☐ applicant only  
☐ applicant and inventor  
☐ inventor only (If this check-box is marked, do not fill in below.)

State (that is, country) of nationality:

State (that is, country) of residence:

This person is applicant for the purposes of: ☐ all designated States ☐ all designated States except the United States of America ☐ the United States of America only ☐ the States indicated in the Supplemental Box

☐ Further applicants and/or (further) inventors are indicated on another continuation sheet.



Box No. V DESIGNATION OF STATES

The following designations are hereby made under Rule 4.9(a) (mark the applicable check-boxes; at least one must be marked):

Regional Patent

- ☒ AP ARIPO Patent: GH Ghana, GM Gambia, KE Kenya, LS Lesotho, MW Malawi, SD Sudan, SL Sierra Leone, SZ Swaziland, UG Uganda, ZW Zimbabwe, and any other State which is a Contracting State of the Harare Protocol and of the PCT
- ☒ EA Eurasian Patent: AM Armenia, AZ Azerbaijan, BY Belarus, KG Kyrgyzstan, KZ Kazakhstan, MD Republic of Moldova, RU Russian Federation, TJ Tajikistan, TM Turkmenistan, and any other State which is a Contracting State of the Eurasian Patent Convention and of the PCT
- ☒ EP European Patent: AT Austria, BE Belgium, CH and LI Switzerland and Liechtenstein, CY Cyprus, DE Germany, DK Denmark, ES Spain, FI Finland, FR France, GB United Kingdom, GR Greece, IE Ireland, IT Italy, LU Luxembourg, MC Monaco, NL Netherlands, PT Portugal, SE Sweden, and any other State which is a Contracting State of the European Patent Convention and of the PCT
- ☒ OA OAPI Patent: BF Burkina Faso, BJ Benin, CF Central African Republic, CG Congo, CI Côte d'Ivoire, CM Cameroon, GA Gabon, GN Guinea, GW Guinea-Bissau, ML Mali, MR Mauritania, NE Niger, SN Senegal, TD Chad, TG Togo, and any other State which is a member State of OAPI and a Contracting State of the PCT (if other kind of protection or treatment desired, specify on dotted line)

National Patent (if other kind of protection or treatment desired, specify on dotted line):

- |                                                                              |                                                                                  |
|------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> AE United Arab Emirates                  | <input checked="" type="checkbox"/> LR Liberia                                   |
| <input checked="" type="checkbox"/> AL Albania                               | <input checked="" type="checkbox"/> LS Lesotho                                   |
| <input checked="" type="checkbox"/> AM Armenia                               | <input checked="" type="checkbox"/> LT Lithuania                                 |
| <input checked="" type="checkbox"/> AT Austria                               | <input checked="" type="checkbox"/> LU Luxembourg                                |
| <input checked="" type="checkbox"/> AU Australia                             | <input checked="" type="checkbox"/> LV Latvia                                    |
| <input checked="" type="checkbox"/> AZ Azerbaijan                            | <input checked="" type="checkbox"/> MD Republic of Moldova                       |
| <input checked="" type="checkbox"/> BA Bosnia and Herzegovina                | <input checked="" type="checkbox"/> MG Madagascar                                |
| <input checked="" type="checkbox"/> BB Barbados                              | <input checked="" type="checkbox"/> MK The former Yugoslav Republic of Macedonia |
| <input checked="" type="checkbox"/> BG Bulgaria                              |                                                                                  |
| <input checked="" type="checkbox"/> BR Brazil                                | <input checked="" type="checkbox"/> MN Mongolia                                  |
| <input checked="" type="checkbox"/> BY Belarus                               | <input checked="" type="checkbox"/> MW Malawi                                    |
| <input checked="" type="checkbox"/> CA Canada                                | <input checked="" type="checkbox"/> MX Mexico                                    |
| <input checked="" type="checkbox"/> CH and LI Switzerland and Liechtenstein  | <input checked="" type="checkbox"/> NO Norway                                    |
| <input checked="" type="checkbox"/> CN China                                 | <input checked="" type="checkbox"/> NZ New Zealand                               |
| <input checked="" type="checkbox"/> CU Cuba                                  | <input checked="" type="checkbox"/> PL Poland                                    |
| <input checked="" type="checkbox"/> CZ Czech Republic                        | <input checked="" type="checkbox"/> PT Portugal                                  |
| <input checked="" type="checkbox"/> DE Germany                               | <input checked="" type="checkbox"/> RO Romania                                   |
| <input checked="" type="checkbox"/> DK Denmark                               | <input checked="" type="checkbox"/> RU Russian Federation                        |
| <input checked="" type="checkbox"/> EE Estonia                               | <input checked="" type="checkbox"/> SD Sudan                                     |
| <input checked="" type="checkbox"/> ES Spain                                 | <input checked="" type="checkbox"/> SE Sweden                                    |
| <input checked="" type="checkbox"/> FI Finland                               | <input checked="" type="checkbox"/> SG Singapore                                 |
| <input checked="" type="checkbox"/> GB United Kingdom                        | <input checked="" type="checkbox"/> SI Slovenia                                  |
| <input checked="" type="checkbox"/> GD Grenada                               | <input checked="" type="checkbox"/> SK Slovakia                                  |
| <input checked="" type="checkbox"/> GE Georgia                               | <input checked="" type="checkbox"/> SL Sierra Leone                              |
| <input checked="" type="checkbox"/> GH Ghana                                 | <input checked="" type="checkbox"/> TJ Tajikistan                                |
| <input checked="" type="checkbox"/> GM Gambia                                | <input checked="" type="checkbox"/> TM Turkmenistan                              |
| <input checked="" type="checkbox"/> HR Croatia                               | <input checked="" type="checkbox"/> TR Turkey                                    |
| <input checked="" type="checkbox"/> HU Hungary                               | <input checked="" type="checkbox"/> TT Trinidad and Tobago                       |
| <input checked="" type="checkbox"/> ID Indonesia                             | <input checked="" type="checkbox"/> UA Ukraine                                   |
| <input checked="" type="checkbox"/> IL Israel                                | <input checked="" type="checkbox"/> UG Uganda                                    |
| <input checked="" type="checkbox"/> IN India                                 | <input checked="" type="checkbox"/> US United States of America                  |
| <input checked="" type="checkbox"/> IS Iceland                               |                                                                                  |
| <input checked="" type="checkbox"/> JP Japan                                 |                                                                                  |
| <input checked="" type="checkbox"/> KE Kenya                                 | <input checked="" type="checkbox"/> continuation-in-part                         |
| <input checked="" type="checkbox"/> KG Kyrgyzstan                            | <input checked="" type="checkbox"/> UZ Uzbekistan                                |
| <input checked="" type="checkbox"/> KP Democratic People's Republic of Korea | <input checked="" type="checkbox"/> VN Viet Nam                                  |
| <input checked="" type="checkbox"/> KR Republic of Korea                     | <input checked="" type="checkbox"/> YU Yugoslavia                                |
| <input checked="" type="checkbox"/> KZ Kazakhstan                            | <input checked="" type="checkbox"/> ZA South Africa                              |
| <input checked="" type="checkbox"/> LC Saint Lucia                           | <input checked="" type="checkbox"/> ZW Zimbabwe                                  |
| <input checked="" type="checkbox"/> LK Sri Lanka                             |                                                                                  |

Check-boxes reserved for designating States which have become party to the PCT after issuance of this sheet:

- ☐ .....
- ☐ .....

**Precautionary Designation Statement:** In addition to the designations made above, the applicant also makes under Rule 4.9(b) all other designations which would be permitted under the PCT except any designation(s) indicated in the Supplemental Box as being excluded from the scope of this statement. The applicant declares that those additional designations are subject to confirmation and that any designation which is not confirmed before the expiration of 15 months from the priority date is to be regarded as withdrawn by the applicant at the expiration of that time limit. (Confirmation of a designation consists of the filing of a notice specifying that designation and the payment of the designation and confirmation fees. Confirmation must reach the receiving Office within the 15-month time limit.)

## Supplemental Box

If the Supplemental Box is not used, this sheet should not be included in the request.

1. If, in any of the Boxes, the space is insufficient to furnish all the information: in such case, write "Continuation of Box No. ..." [indicate the number of the Box] and furnish the information in the same manner as required according to the captions of the Box in which the space was insufficient, in particular:

- (i) if more than two persons are involved as applicants and/or inventors and no "continuation sheet" is available: in such case, write "Continuation of Box No. III" and indicate for each additional person the same type of information as required in Box No. III. The country of the address indicated in this Box is the applicant's State (that is, country) of residence if no State of residence is indicated below;
- (ii) if, in Box No. II or in any of the sub-boxes of Box No. III, the indication "the States indicated in the Supplemental Box" is checked: in such case, write "Continuation of Box No. II" or "Continuation of Box No. III" or "Continuation of Boxes No. II and No. III" (as the case may be), indicate the name of the applicant(s) involved and, next to (each) such name, the State(s) (and/or, where applicable, ARIPO, Eurasian, European or OAPI patent) for the purposes of which the named person is applicant;
- (iii) if, in Box No. II or in any of the sub-boxes of Box No. III, the inventor or the inventor/applicant is not inventor for the purposes of all designated States or for the purposes of the United States of America: in such case, write "Continuation of Box No. II" or "Continuation of Box No. III" or "Continuation of Boxes No. II and No. III" (as the case may be), indicate the name of the inventor(s) and, next to (each) such name, the State(s) (and/or, where applicable, ARIPO, Eurasian, European or OAPI patent) for the purposes of which the named person is inventor;
- (iv) if, in addition to the agent(s) indicated in Box No. II, there are further agents: in such case, write "Continuation of Box No. II" and indicate for each further agent the same type of information as required in Box No. II;
- (v) if, in Box No. I, the name of any State (or OAPI) is accompanied by the indication "patent of addition," or "certificate of addition," or if, in Box No. I, the name of the United States of America is accompanied by an indication "continuation" or "continuation-in-part": in such case, write "Continuation of Box No. I" and the name of each State involved (or OAPI), and after the name of each such State (or OAPI), the number of the parent title or parent application and the date of grant of the parent title or filing of the parent application;
- (vi) if, in Box No. VI, there are more than three earlier applications whose priority is claimed: in such case, write "Continuation of Box No. VI" and indicate for each additional earlier application the same type of information as required in Box No. VI;
- (vii) if, in Box No. VI, the earlier application is an ARIPO application: in such case, write "Continuation of Box No. VI", specify the number of the item corresponding to that earlier application and indicate at least one country party to the Paris Convention for the Protection of Industrial Property for which that earlier application was filed.

2. If, with regard to the precautionary designation statement contained in Box No. I, the applicant wishes to exclude any State(s) from the scope of that statement: in such case, write "Designation(s) excluded from precautionary designation statement" and indicate the name or two-letter code of each State so excluded.

3. If the applicant claims, in respect of any designated Office, the benefits of provisions of the national law concerning non-prejudicial disclosures or exceptions to lack of novelty: in such case, write "Statement concerning non-prejudicial disclosures or exceptions to lack of novelty" and furnish that statement below.

## Continuation of Box No. IV

EVANS, Stephen M.  
GRAY, Jr., Richard O.  
KING, Joshua  
SANTARELLI, Bryan  
VILLANI, Christopher B.

## Continuation of Box V

United States of America, application no. 09/322,670, filed  
28 May, 1999 (28.05.99)


<b>Box No. VI PRIORITY CLAIM</b>					<input type="checkbox"/> Further priority claims are indicated in the Supplemental Box.
Filing date of earlier application (day/month/year)	Number of earlier application	Where earlier application is:			
		national application: country	regional application: * regional Office	international application: receiving Office	
item (1) 28 May, 1999 28.05.99	09/322,670	US			
item (2)					
item (3)					

☒ The receiving Office is requested to prepare and transmit to the International Bureau a certified copy of the earlier application(s) (only if the earlier application was filed with the Office which for the purposes of the present international application is the receiving Office) identified above as item(s): **(1)**

\* Where the earlier application is an ARIPO application, it is mandatory to indicate in the Supplemental Box at least one country party to the Paris Convention for the Protection of Industrial Property for which that earlier application was filed (Rule 4.10(b)(ii)). See Supplemental Box.

<b>Box No. VII INTERNATIONAL SEARCHING AUTHORITY</b>			
Choice of International Searching Authority (ISA) (if two or more International Searching Authorities are competent to carry out the international search, indicate the Authority chosen; the two-letter code may be used): <b>ISA / EP</b>	Request to use results of earlier search; reference to that search (if an earlier search has been carried out by or requested from the International Searching Authority): Date (day/month/year)      Number      Country (or regional Office)		

<b>Box No. VIII CHECK LIST; LANGUAGE OF FILING</b>	
This international application contains the following number of sheets: request : 5 description (excluding sequence listing part) : 14 claims : 4 abstract : 1 drawings : 6 sequence listing part of description : _____ Total number of sheets : 30	This international application is accompanied by the item(s) marked below: 1. <input checked="" type="checkbox"/> fee calculation sheet 2. <input checked="" type="checkbox"/> separate signed power of attorney 3. <input type="checkbox"/> copy of general power of attorney, reference number, if any: 4. <input type="checkbox"/> statement explaining lack of signature 5. <input type="checkbox"/> priority document(s) identified in Box No. VI as item(s): 6. <input type="checkbox"/> translation of international application into (language): 7. <input type="checkbox"/> separate indications concerning deposited microorganism or other biological material 8. <input type="checkbox"/> nucleotide and/or amino acid sequence listing in computer readable form 9. <input type="checkbox"/> other (specify):
Figure of the drawings which should accompany the abstract: <b>Figure 1</b>	Language of filing of the international application: <b>English</b>

<b>Box No. IX SIGNATURE OF APPLICANT OR AGENT</b>	
Next to each signature, indicate the name of the person signing and the capacity in which the person signs (if such capacity is not obvious from reading the request).	
 _____, Agent <b>Jeffrey F. Haley</b>	

For receiving Office use only	
1. Date of actual receipt of the purported international application: 3. Corrected date of actual receipt due to later but timely received papers or drawings completing the purported international application: 4. Date of timely receipt of the required corrections under PCT Article 11(2): 5. International Searching Authority (if two or more are competent): <b>ISA /</b>	2. Drawings: <input type="checkbox"/> received: <input type="checkbox"/> not received: 6. <input type="checkbox"/> Transmittal of search copy delayed until search fee is paid.

For International Bureau use only
Date of receipt of the record copy by the International Bureau:

This sheet is not part of and does not count as a sheet of the international application.

PCT

FEE CALCULATION SHEET

Annex to the Request

For receiving Office use only

International application No.

Date stamp of the receiving Office

Applicant's or agent's  
file reference

1624-16-1

Applicant UTM Systems Corporation  
LEE, Robert  
HONEY, Thomas E.

CALCULATION OF PRESCRIBED FEES

1. TRANSMITTAL FEE \$240 T

2. SEARCH FEE \$990 S

International search to be carried out by EP

(If two or more International Searching Authorities are competent in relation to the international application, indicate the name of the Authority which is chosen to carry out the international search.)

3. INTERNATIONAL FEE

Basic Fee

The international application contains sheets.

first 30 sheets \$427 b1

x remaining sheets additional amount b2

Add amounts entered at b1 and b2 and enter total at B \$427 B

Designation Fees

The international application contains all designations.

8 x \$92 = \$736 D

number of designation fees payable (maximum 10) amount of designation fee

Add amounts entered at B and D and enter total at I \$1,163 I

(Applicants from certain States are entitled to a reduction of 75% of the international fee. Where the applicant is (or all applicants are) so entitled, the total to be entered at I is 25% of the sum of the amounts entered at B and D.)

4. FEE FOR PRIORITY DOCUMENT (if applicable) \$15 P

5. TOTAL FEES PAYABLE \$2,543

Add amounts entered at T, S, I and P, and enter total in the TOTAL box

TOTAL

☐ The designation fees are not paid at this time.

MODE OF PAYMENT

☐ authorization to charge  
deposit account (see below)

☒ cheque

☐ postal money order

☐ bank draft

☐ cash

☐ revenue stamps

☐ coupons

☐ other (specify):

DEPOSIT ACCOUNT AUTHORIZATION (this mode of payment may not be available at all receiving Offices)

The RO/ us ☐ is hereby authorized to charge the total fees indicated above to my deposit account.

☒ (this check-box may be marked only if the conditions for deposit accounts of the receiving Office so permit) is hereby authorized to charge any deficiency or credit any overpayment in the total fees indicated above to my deposit account.

☐ is hereby authorized to charge the fee for preparation and transmittal of the priority document to the International Bureau of WIPO to my deposit account.

07-1897

28.05.00 (28 May 2000)

Deposit Account No.

Date (day/month/year)

Signature

Jeffrey T. Haley

10/568095

Hon. Karen A. Overstreet  
Chapter 7  
Hearing: April 22, 2005  
9:30 a.m.

UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

In re

UTM SYSTEMS CORPORATION,

Debtor.

No. 01-19563

MOTION OF GRAYBEAL JACKSON &  
HALEY LLP FOR RELIEF FROM STAY

COMES NOW Graybeal Jackson & Haley LLP ("GJH"), a secured creditor of the debtor, and moves for relief as follows:

INTRODUCTION

1. GJH's Lien. GJH holds a claim against the estate for legal services provided to UTM Systems Corporation ("UTM"). GJH's claim is secured by a first position security interest in the debtor's patent applications and trademark applications, which security interest was perfected by the filing of a UCC-1 Financing Statement with the Department of Licensing in Olympia, Washington on May 9, 2001.

2. Amount of GJH's Claim. GJH filed its proof of secured claim on February 28, 2002, a copy of which is attached hereto as Exhibit A. The amount of its claim as of the date of the order for relief herein on November 27, 2001 was \$85,795.13. Interest on this amount accrues at the legal rate of 12 percent per annum

3. Background of Case. This case was commenced by the filing of an involuntary Chapter 7 petition against UTM on August 27, 2001. An Order for Relief and an agreed Order Converting the case to a case under Chapter 11 were entered on November 27, 2001. Subsequently, the case was

1 converted to a Chapter 7 on October 18, 2002, and Daniel E. Forsch was appointed Trustee.

2 4. Trustee Has Been Unable To Liquidate GJH's Collateral. In November 2002, the  
3 Trustee sold UTM's equipment and furnishings at its business premises. The only remaining assets  
4 in the estate are the debtor's intellectual property, which includes the patent and trademark applications  
5 that constitute UTM's collateral and certain software and test boards. The Trustee has been unable to  
6 date to sell the intellectual property.

7 RELIEF REQUESTED

8 5. By this motion GJH seeks relief from the automatic stay to permit it to realize upon its  
9 collateral and to pursue available remedies under the laws of the State of Washington.

10 BASIS FOR RELIEF

11 6. GJH Is Entitled To Relief From Stay.

12 a. GJH Is Entitled To Relief From Stay For Cause. Section 362(d)(1) of the  
13 Bankruptcy Code provides that the stay shall be lifted for "cause." "Cause" has no clear definition and  
14 is determined on a case-by-case basis. *In re MacDonald*, 755 F.2d 715, 717 (9<sup>th</sup> Cir. 1985). GJH has  
15 been precluded from realizing on its collateral since August 2001. GJH has not received payment for  
16 its services that were provided in 2001. The Trustee continues in possession of GJH's collateral and  
17 has been unable to find a buyer for the collateral since his appointment two and one-half years ago.  
18 Under the circumstances of this case, cause exists for relief from stay.

19 b. WSB Is Entitled To Relief From Stay under Section 362(d)(2). Section  
20 362(d)(2) provides a second ground for relief from stay. Section 362(d)(2) provides that the Court shall  
21 lift the stay if:

22 (A) the Debtor does not have an equity in such property; and

23 (B) such property is not necessary to an effective reorganization.

24 The Trustee has been unable to locate an interested buyer for GJH's collateral at any price, which is  
25 evidence that the debtor's patent applications, which were abandoned under federal patent law in 2002,  
26 and trademark applications have little if any value, certainly nowhere near the amount of GJH's claim.  
27 Since this case is now a Chapter 7 case, Section 362(d)(B) has no application. Thus, given the lack of  
28 any apparent value whatsoever in the patent and trademark applications, GJH is entitled to relief from

1 stay under Section 362(d)(2).

2 CONCLUSION

3 The Trustee has advised the undersigned that he will not resist this request for relief from stay.  
4 There is no reason, therefore, to deny GJH an opportunity to realize on its collateral. An order should  
5 be entered in the form attached hereto as Exhibit B granting GJH relief from stay.

6 DATED this 23rd day of March, 2005.

7 /s/ John J. Mitchell  
8 WSBA No. 12757  
9 Attorney for Graybeal Jackson Haley LLP  
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## United States Bankruptcy Court

Case Number 01-12555

Name of Debtor UTM Systems Corporation

NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503

Name of Creditor (The person or other entity to whom the debtor owes money or property)

Graybeal Jackson Haley LLP

Name and Address Where Notices Should be Sent

155 - 108th Ave. NE Suite 350  
Bellevue, WA 98004-5793

Telephone No. 425 455 5575

Account or other number by which creditor identifies debtor:  
1624
☐ Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.

☐ Check box if you have never received any notices from the bankruptcy court in this case.

☐ Check box if the address differs from the address on the envelope sent to you by the court.

This space for court use only

## 1. BASIS FOR CLAIM

☐ Goods sold☐ Money loaned☐ Taxes ☐ Other☒ Services performed☐ Personal injury/wrongful death☐ Retiree benefits as defined in 11 U.S.C. § 1114(a)☐ Wages, salaries, and compensation (Fill out below)

Your social security number

Unpaid compensation for services performed  
from to

2. DATE DEBT WAS INCURRED 4/1/00 - 11/26/01

3. IF COURT JUDGMENT, DATE OBTAINED

4. Total Amount of Claim at Time Case Filed: \$ 85,795.13

If all or part of your claim is secured or entitled to priority, also complete Item 5 or 6 below.

☒ Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.

## 5. Secured claim.

☒ Check this box if your claim is secured by collateral (including a right of setoff).

Brief Description of Collateral:

☐ Real Estate☐ Motor Vehicle☒ Other Patent Applications and Trademarks

Value of collateral: \$ 100,000+

Amount of arrearage and other charges at time case filed included in secured claim above, if any \$ 80,752.49

## 6. Unsecured Priority Claim

☐ Check this box if you have an unsecured priority claim

Amount entitled to priority \$

Specify the priority of the claim:

☐ Claim arose on or after August 27, 2001 and before November 27, 2001 - 11 U.S.C. § 507(a)(2)☐ Wages, salaries, or commissions (up to \$4650)\* earned within 90 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(3)☐ Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(4)☐ Up to \$2,100\* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(6)☐ Alimony, maintenance, or support owed to a spouse, former spouse, or child - 11 U.S.C. § 507(a)(7)☐ Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8)☐ Other—Specify applicable paragraph of 11 U.S.C. § 507(a)

\*Amounts are subject to adjustment on 4/1/04 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.

7. CREDITS: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.

8. SUPPORTING DOCUMENTS: Attach copies of supporting documents such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary.

9. DATE-STAMPED COPY: To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of the proof of claim.

Mail claim To:

U.S. Bankruptcy Court  
1200 6<sup>th</sup> Ave. #315  
Seattle, WA 98101

Date:

2/27/02

Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any)

Jeffrey T. Haley

This Space Is for Court Use Only

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§152 and 357; WA Rev. Code (4/1/01)

cc: Joel Green, Tax Attorneys, Inc. w/enclosures



2001-129-0174

**FINANCING STATEMENT — FOLLOW INSTRUCTIONS CAREFULLY**

This Financing Statement is presented for filing pursuant to the Uniform Commercial Code and will remain effective, with certain exceptions, for 5 years from date of filing.

A. NAME & TEL. # OF CONTACT AT FILER (optional) <b>Jeffrey T. Haley</b>	B. FILING OFFICE ACCT. # (optional)
C. RETURN COPY TO: (Name and Mailing Address) <b>Jeffrey T. Haley Graybeal Jackson Haley LLP 155 - 108th Ave NE Suite 350 Bellevue, WA 98004-5901 425-455-5575</b>	
D. OPTIONAL DESIGNATION (if applicable): <input type="checkbox"/> LESSOR/LESSEE <input type="checkbox"/> CONSIGNOR/CONSIGNEE <input type="checkbox"/> NON-UCC FILING	

FILED 3:00 AM  
01 MAY -9  
DEPARTMENT OF LICENSING  
TACOMA WA

12.91 + 8.00

**1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b)**

1a. ENTITY'S NAME <b>UTM Systems Corp</b>			
OR	1b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME SUFFIX
1c. MAILING ADDRESS <b>40 Lake Bellevue Drive #350</b>		CITY <b>Bellevue</b>	STATE COUNTRY POSTAL CODE <b>WA US 98005</b>
1d. S.S. OR TAX I.D.#	OPTIONAL ADD'L INFO RE ENTITY/DEBTOR	1e. TYPE OF ENTITY <b>Corporation</b>	1f. ENTITY'S STATE OR COUNTRY OF ORGANIZATION <b>WA</b>
			1g. ENTITY'S ORGANIZATIONAL I.D.#, if any <input type="checkbox"/> NONE

**2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b)**

2a. ENTITY'S NAME			
OR	2b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME SUFFIX
2c. MAILING ADDRESS		CITY	STATE COUNTRY POSTAL CODE
2d. S.S. OR TAX I.D.#	OPTIONAL ADD'L INFO RE ENTITY/DEBTOR	2e. TYPE OF ENTITY	2f. ENTITY'S STATE OR COUNTRY OF ORGANIZATION
			2g. ENTITY'S ORGANIZATIONAL I.D.#, if any <input type="checkbox"/> NONE

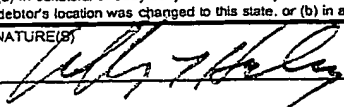
**3. SECURED PARTY'S (ORIGINAL S/P or ITS TOTAL ASSIGNEE) EXACT FULL LEGAL NAME - insert only one secured party name (3a or 3b)**

3a. ENTITY'S NAME <b>Graybeal Jackson Haley LLP</b>			
OR	3b. INDIVIDUAL'S LAST NAME <b>Haley</b>	FIRST NAME <b>Jeffrey</b>	MIDDLE NAME SUFFIX <b>T.</b>
3c. MAILING ADDRESS <b>155 - 108th Ave NE #350</b>		CITY <b>Bellevue</b>	STATE COUNTRY POSTAL CODE <b>WA US 98004</b>

**4. This FINANCING STATEMENT covers the following types or items of property:**

All rights to inventions, patent applications and trademark applications described in Status Reports attached and all papers that are evidence thereof.

10 R

5. CHECK <input type="checkbox"/> This FINANCING STATEMENT is signed by the Secured Party instead of the Debtor to perfect a security interest BOX (if applicable) (a) in collateral already subject to a security interest in another jurisdiction when it was brought into this state, or when the debtor's location was changed to this state, or (b) in accordance with other statutory provisions [additional data may be required]	7. If filed in Florida (check one) <input type="checkbox"/> Documentary stamp tax paid <input type="checkbox"/> Documentary stamp tax not applicable
6. REQUIRED SIGNATURE(S) 	8. <input type="checkbox"/> This FINANCING STATEMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS Attach Addendum (if applicable)
9. Check to REQUEST SEARCH CERTIFICATE(S) on Debtor(s) (ADDITIONAL FEE) (optional) <input type="checkbox"/> All Debtors <input type="checkbox"/> Debtor 1 <input type="checkbox"/> Debtor 2	

Debtor: UTM systems corp

## SECURITY AGREEMENT AND COLLATERAL ASSIGNMENT OF PATENT AND TRADEMARK RIGHTS

This Agreement is entered into as of the 1<sup>st</sup> day of April, 2001 by UTM systems corp, a Washington Corporation ("Debtor") with its chief executive office located at Bellevue, Washington; and Graybeal Jackson Haley, a Limited Liability Partnership ("Secured Party"), with an office located at Bellevue, Washington.

Between January 1, 2000 and April 1, 2001 Secured Party created intellectual property for Debtor in the form of patent applications and trademark applications for which Secured Party is owed \$56,335.35. All such intellectual property is and has been in the care of Secured Party from the date of creation. To secure amounts owed by Debtor for the creation of said property and future amounts accrued up to December 31, 2001, Debtor agrees that Secured Party has a lien on the intellectual property created by Secured Party for Debtor from the date of creation. Terms of said lien are stated in writing as follows.

**1. Definitions.** As used in this Agreement:

"Collateral" means all rights to inventions, patent applications and trademark applications described in the Status Reports attached to this Agreement and all papers that are evidence thereof.

"Default" means any event referred to in section 5 of this Agreement.

"Obligations" means the obligation of Debtor to pay Secured Party for the creation of the Collateral including payment on a certain promissory note dated April 1, 2001.

**2. Security Interest.** As collateral security for the prompt and unconditional payment and performance of the Obligations, Debtor hereby grants, pledges and assigns to Secured party a security interest in all of Debtor's right, title and interest in and to the Collateral.

**3. Representations and Warranties.** Debtor represents and warrants to Secured Party and agrees with Secured Party as follows:

a. Authority. Debtor has the authority to enter into this Agreement.

b. No Violation. The execution, delivery and performance of this Agreement does not violate the terms of any other agreement, document or instrument to which Debtor is a party.

**4. Debtor's Covenants.** Debtor further covenants and agrees with Secured Party as follows:

a. Pending Applications. Debtor shall prosecute diligently the applications for patents and trademarks pending as of the date of this Agreement, and unless specifically advised by counsel that to do so is unnecessary or inadvisable, shall do any and all acts which are necessary or desirable to preserve, maintain and enforce all rights in the Collateral.

b. Limitations on Disposition. Debtor shall not sell, license, transfer or otherwise dispose of or grant any rights to any of the Collateral except in the ordinary course of business. or attempt or contract to do so, without the prior written consent of Secured Party.

Debtor: UTM systems corp

c. Limitation on Liens; Defense of Collateral. Debtor shall not create, permit or suffer to exist, and shall defend the Collateral against and take such other action as is necessary to remove, any lien on the Collateral, except the liens granted to Secured Party under this Agreement. Debtor shall further defend the right, title and interest of the Secured Party in and to Debtor's rights to the Collateral against the claims and demands of all persons other than the Secured Party. In the event that any Collateral is infringed or misappropriated by a third party, Debtor shall notify Secured Party promptly after Debtor learns thereof and shall, unless such Collateral is not material to the conduct of Debtor's business, promptly sue for infringement or misappropriation and to recover any and all damages for such infringement or misappropriation and take such other actions as are appropriate under the circumstances to protect such Collateral.

d. Performance. Debtor shall pay and perform all the Obligations according to their terms.

e. Expenditures by Secured Party. Debtor will reimburse Secured Party upon demand for any expenditures by Secured Party for the maintenance, protection and preservation of the Collateral, and for the collection, repossession, holding, preparation and sale or other disposition of or realization upon the Collateral. In no event shall Secured Party have any obligation to make such expenditures nor any liability for failing to make them.

f. Governmental Charges. Debtor shall pay before delinquency all taxes, assessments and other governmental charges which are or may become a lien on any of the Collateral.

5. Defaults. Each of the following shall be a default ("Default") under this Agreement:

- a. Any default or event of default on any of the Obligations, whether or not the Obligations have been accelerated; or
- b. Breach of any representation or warranty contained in this Agreement; or
- c. Any failure fully and timely to comply with any provision of this Agreement or of any other document, instrument or agreement between Debtor and Secured Party; or
- d. Any levy, attachment or execution on, or seizure of, any of the Collateral;
- e. Dissolution, death, termination of existence, insolvency or bankruptcy of Debtor or appointment of a receiver to take possession of any of the Collateral.

6. Rights and Remedies of Secured Party.

a. General. In addition to the rights and remedies granted to Secured Party in this Agreement, Secured Party shall at all times have the rights and remedies of a secured party under the Uniform Commercial Code as enacted in the state of Washington and under all other applicable laws.

b. Remedies. After the occurrence, and during the continuance, of a Default, Secured party may take any one or more of the following actions in its sole discretion:

(i) Declare all or any part of the Obligations due and payable, without presentment, demand, protest or other notice of any kind, all of which are expressly waived.

Debtor: UTM systems corp

(ii) Require the Debtor to assemble the Collateral, and make it available to Secured party at Debtor's premises or at any other location selected by Secured Party, where it will remain at Debtor's expense pending sale or other disposition. Debtor acknowledges and agrees that any failure by it to assemble the Collateral and make it available to Secured party will constitute a threat of imminent and irreparable harm to Secured party which will entitle Secured party to a court order or injunction: (A) appointing a receiver to take possession of the Collateral and sell or otherwise realize upon the Collateral and apply the proceeds to the Obligations; and/or (B) directing Debtor to assemble the Collateral and make it available to Secured party as required by this Security Agreement. Debtor expressly waives any right to require Secured Party to post a bond or other security or financial undertaking as a condition to obtaining any such order or injunction.

(iii) Sell, license, or otherwise dispose of the Collateral. If notice of sale or disposition of Collateral is required, ten (10) calendar days notice of any intended sale or other disposition of the Collateral shall be deemed to be reasonable. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of Debtor, and Debtor hereby waives (to the extent permitted by applicable law) all rights of redemption, stay and/or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. Secured Party shall not be obligated to make any sale of Collateral regardless of notice of sale having been given. Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(iv) Indorse any assignment or other instrument or document with respect to the Collateral, as the attorney-in-fact for Debtor with full power of substitution.

(v) Accept and receive payment of, receipt for or defend, settle, compromise or adjust any claim, suit, action or proceeding with respect to the Collateral. In doing so, any determination made by Secured Party as to the risks of litigation and collectibility shall be deemed to be commercially reasonable unless made in bad faith.

c. Proceeds. The proceeds of sales, licenses, collections or other dispositions of the Collateral shall not be credited to the Obligations unless and until actually received in cash by Secured Party. Secured Party may credit such proceeds against the Obligations in such order as it elects in its sole discretion.

d. Deficiency. Debtor shall pay any deficiency remaining after application of the net proceeds of the Collateral to the Obligations.

e. Retention. Under no circumstances shall Secured Party be deemed to have elected to retain possession of all or any part of the Collateral in satisfaction of the Obligations unless Secured Party has given Debtor written notice of a proposal to do so pursuant to Revised Code of Washington 62A.9-505(2), regardless of the length of time the Collateral remains in Secured Party's possession after a Default. Under no circumstances shall Secured Party have any liability as a result of a decline in the market value of the Collateral while Secured Party holds it.

7. Power of Attorney. Debtor hereby appoints Secured Party, or any person or entity whom Secured Party may from time to time designate, as Debtor's attorney-in-fact with power, at any time after the occurrence of a Default: (a) to endorse Debtor's name on all applications,

Debtor: UTM systems corp

documents, papers and instruments necessary or appropriate for Secured Party to use, protect, register, patent, sell, license, assign, convey or otherwise transfer or dispose of any of the Collateral; (b) to notify the patent office authorities to change the address for delivery of Debtor's mail to an address designated by Secured Party; (c) to receive and to open and sort mail addressed to Debtor relating to the Collateral; (d) to do all other things which Secured party is permitted to do under this Agreement or which are necessary or appropriate to carry out this Agreement or other agreements between Debtor and Secured Party. Neither Secured Party nor any of its directors, officers, employees or agents will be liable for any acts of commission or omission or for any error in judgment or mistake of fact or law, unless the same shall have resulted from recklessness or willful misconduct. This power, being coupled with an interest, is irrevocable so long as this Agreement remains in effect. Debtor shall, from time to time, execute and deliver to Secured Party such additional documents as Secured Party may reasonably request to confirm the existence of the power of attorney granted herein and to provide additional originals thereof.

8. Revival of Security Interest. To the extent Debtor makes a payment to Secured Party or Secured Party receives any payment of proceeds of Collateral, which is later invalidated, declared to be a fraudulent transfer or preference, set aside or required to be repaid under any bankruptcy law, other law or equitable principle, Secured Party's interest in the Collateral shall be revived and continue as if the payment or proceeds had never been received by Secured Party.

9. Miscellaneous.

a. Financing Statements, Etc. Debtor will sign any financing statements, amendments, assignments, registrations or filings with governmental offices or agencies, and other documents necessary or appropriate to fully perfect Secured Party's security interests in the Collateral throughout the world. Debtor shall pay the cost of so perfecting such security interests. Secured Party is nevertheless authorized to file such documents without the Debtor's signature and Debtor hereby grants to Secured Party a power of attorney to execute any such documents as Debtor's attorney-in-fact. Such power of attorney is coupled with an interest and shall be irrevocable so long as this Agreement remains in effect.

b. Amendment. This Agreement and the other written documents, instruments and agreements entered into in connection with the loan and the Obligations contain the complete and final expression of the entire agreement of the parties. No provision of this Agreement may be amended, modified, waived or supplemented, except by a writing signed by the party sought to be charged with the amendment, modification, waiver or supplementation. No waiver by Secured party of any Default shall be a waiver of any other Default.

c. Remedies Cumulative. All rights and remedies of Secured Party shall be cumulative and may be exercised at such times and in such order as Secured Party determines, and no delay or omission in exercising any right or remedy shall be a waiver of it.

d. Effectiveness. This Agreement shall remain in full force and effect until (i) all of the Obligations shall have been indefeasibly paid in full in cash, and (ii) this Agreement shall have been terminated in writing by Secured Party.

e. Limitation of Consequential Damages. Secured party shall not be responsible for any lost profits of Debtor arising from any breach of contract, tort (excluding the Secured Party's recklessness or willful misconduct), or any other wrong arising from the establishment, administration or collection of the Obligations or the security interests granted in this Agreement.

Debtor: UTM systems corp

f. Legal Expenses. Debtor shall pay any and all fees, costs and expenses (including but not limited to fees of attorneys, accountants, experts, court reporters and others) incurred by Secured Party in the collection or enforcement of any of the Obligations (whether from or against the Debtor or any other person or entity liable therefor) and the perfection, preservation, protection and enforcement of its rights and remedies under this Agreement and its security interest in the Collateral, whether incurred before or after judgment, with or without suit, on appeal, in bankruptcy or other insolvency proceedings, or otherwise. Debtor shall pay all such fees, costs and expenses incurred by Secured Party in any bankruptcy case regardless of whether they are incurred in connection with issues of state law, bankruptcy law or otherwise. All amounts payable to Secured Party under this paragraph shall be payable upon demand and shall bear interest at 12% per annum.

g. Notices. Any notice under this Agreement shall be in writing.

h. Governing Law. This Security Agreement shall be governed by, and construed in accordance with the laws of the state of Washington without giving effect to their principles or provisions regarding conflicts of laws or choice of law.

i. No Obligation. This Security Agreement does not create a binding obligation by Secured Party to extend credit to Debtor at any time.

j. Counterparts. This Agreement may be executed in any number of counterparts and by each party on a separate counterpart, each of which when so executed and delivered shall be deemed an original and all of which taken together shall constitute but one and the same instrument.


h. Advice of Counsel. Debtor has sought and received advice of independent counsel before entering this Agreement.

IN WITNESS WHEREOF the parties have duly executed and delivered this Agreement as of the date first written above.

DEBTOR: UTM systems corp

SECURED PARTY:  
Graybeal Jackson Haley LLP

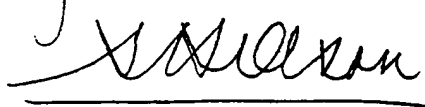
By

  
Robert Lee President

By:

  
Jeffrey Haley

Witnessed by:

  
STEPHEN H. OLSON

**Status of UTM Systems Corporation Patent Applications**  
**April 1, 2001**

1624-1-2	U.S. APPL. NO.: 09/322,670	DATE FILED: May 28, 1999
1624-2	U. S. APPL. NO.: 09/322,669	DATE FILED: May 28, 1999
1624-3-3	U. S. APPL. NO.: 09/560,842	DATE FILED: April 28, 2000
1624-3-4	PCT/US00/14449	DATE FILED: May 25, 2000
1624-3-5	Taiwan Appl. No. 89110220	DATE FILED: June 14, 2000.
1624-4-4	U. S. APPL. NO.: 09/580,321	DATE FILED: May 26, 2000
1624-4-PCT	PCT Application to be filed.	
1624-16-1	PCT/US00/14592	DATE FILED: May 26, 2000
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TRADEMARK STATUS REPORT

UTM Systems Corporation  
(Client No. 1624)

Country/ State*	Mark	Application No.	Application Date	Registration No.	Registration Date	Next Deadline	Action Required	Docket	Status/Other
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China	UTM		1999/12/02					1624-7-4	PENDING
China	UTM SYSTEMS <sup>1</sup>	9900145055	1999/12/02				Check status	1624-8-4	PENDING 7/5/00: response filed
European Union (CTM)	UNIVERSAL TELLER MACHINE	1367358				2000/12/05	Check status	1624-9-6	PENDING 6/5/00: published
European Union (CTM)	UTM	1367572	1999/11/02	1367572	1999/11/02	2004/11/02	Use due	1624-7-6	REGISTERED 11/2/2009: renewal
European Union (CTM)	UTM SYSTEMS	1367226				2000/12/05	Check status	1624-8-6	PENDING 6/5/00: published
Hong Kong	UNIVERSAL TELLER MACHINE	99/16148	1999/11/08					1624-9-3	ABANDONED
Hong Kong	UTM	99/16146	1999/11/08			2001/01/10	Check status	1624-7-3	PENDING
Hong Kong	UTM SYSTEMS	99/16147	1999/11/08					1624-8-3	ABANDONED



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(Client No. 1624)

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Japan	UTM <sup>iii</sup>	11-98902	1999/11/01			2001/05/11	Check status	1624-7-2	PENDING 11/8/00: response filed
Japan	UTM SYSTEMS <sup>iv</sup>	11-98903	1999/11/01					1624-8-2	ABANDONED
Mexico	UNIVERSAL TELLER MACHINE <sup>v</sup>	397299	1999/11/01	656405	1999/11/01	2009/11/01	Renewal	1624-9-5	REGISTERED
Mexico	UTM <sup>vi</sup>	397298	1999/11/01	656404	1999/11/01	2009/11/01	Renewal	1624-7-5	REGISTERED
Mexico	UTM SYSTEMS <sup>vii</sup>	397297	1999/11/01	656403	1999/11/01	2009/11/01	Renewal	1624-8-5	REGISTERED
Taiwan	UNIVERSAL TELLER MACHINE	88054370	1999/11/01					1624-9-7	ABANDONED
Taiwan	UTM	88054368	1999/11/01					1624-7-7	ABANDONED
Taiwan	UTM SYSTEMS	88054369	1999/11/01					1624-8-7	ABANDONED
United States	SIMPLY MORE SECURE	76/080,559	2000/06/29			2000/12/29	Priority deadline	1624-25-1	PENDING

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UTM Systems Corporation  
(Client No. 1624)

Country/ State*	Mark	Application No.	Application Date	Registration No.	Registration Date	Next Deadline	Action Required	Docket	Status/Other
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United States	UTM <sup>viii</sup>	75/646,241	1999/02/19			2001/07/24	Check status	1624-7-1	PENDING SOU Filed 4/24/01
United States	UTM SYSTEMS	75/646,236				2001/09/26	Check status	1624-8-1	ABANDONED 7/4/00: published  Check to see if they want to revive in 6 months

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- vii Electronic devices with embedded authentication and encryption microprocessors for connection to or embedding within computers, telephones and other communication devices
- viii Security and authentication devices, namely integrated circuit chips featuring embedded authentication and encryption logic for incorporation in computers, telephones and other communication devices

Hon. Karen A. Overstreet  
Chapter 7  
Hearing: April 22, 2005  
9:30 a.m.

UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

In re	)	No. 01-19563
UTM SYSTEMS CORPORATION,	)	
	)	
Debtor.	)	ORDER GRANTING GRAYBEAL
	)	JACKSON & HALEY LLP RELIEF
	)	FROM STAY
	)	(PROPOSED)

THIS MATTER having come before the Court on the motion of Graybeal Jackson & Haley LLP and the Court finding that notice and opportunity for a hearing were adequate under the circumstance, that no objection to the relief requested was filed by the response date, and good cause otherwise being shown, now, therefore, it is hereby

ORDERED as follows:

1. That the motion of Graybeal Jackson & Haley LLP for relief from stay be, and the same is hereby, granted.

2. That the automatic stay of 11 U.S.C. § 362(a) be, and the same is hereby, lifted to permit Graybeal Jackson & Haley LLP to pursue available remedies under nonbankruptcy law to realize upon the intellectual property listed on Exhibit A attached hereto.

3. That Graybeal Jackson & Haley LLP be, and the same is hereby, authorized to take any other action permitted under its security agreement which is not prohibited under nonbankruptcy law.

//

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ORDER GRANTING GRAYBEAL JACKSON &  
HALEY LLP RELIEF FROM STAY - 1

LAW OFFICE OF JOHN J. MITCHELL  
811 First Ave., Suite 620  
Seattle, WA 98104  
(206) 903-8555



**Status of UTM Systems Corporation Patent Applications**  
April 1, 2001

1624-1-2	U.S. APPL. NO.:	09/322,670	DATE FILED: May 28, 1999
1624-2	U. S. APPL. NO.:	09/322,669	DATE FILED: May 28, 1999
1624-3-3	U. S. APPL. NO.:	09/560,842	DATE FILED: April 28, 2000
1624-3-4	PCT/US00/14449		DATE FILED: May 25, 2000
1624-3-5	Taiwan Appl. No.	89110220	DATE FILED: June 14, 2000.
1624-4-4	U. S. APPL. NO.:	09/580,321	DATE FILED: May 26, 2000
1624-4-PCT	PCT Application to be filed.		
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UTM Systems Corporation  
(Client No. 1624)

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China	UTM		1999/12/02					1624-7-4	PENDING
China	UTM SYSTEMS <sup>1</sup>	9900145055	1999/12/02				Check status	1624-8-4	PENDING 7/5/00: response filed
European Union (CTM)	UNIVERSAL TELLER MACHINE	1367358				2000/12/05	Check status	1624-9-6	PENDING 6/5/00: published
European Union (CTM)	UTM	1367572	1999/11/02	1367572	1999/11/02	2004/11/02	Use due	1624-7-6	REGISTERED 11/2/2009: renewal
European Union (CTM)	UTM SYSTEMS	1367226				2000/12/05	Check status	1624-8-6	PENDING 6/5/00: published
Hong Kong	UNIVERSAL TELLER MACHINE	99/16148	1999/11/08					1624-9-3	ABANDONED
Hong Kong	UTM	99/16146	1999/11/08			2001/01/10	Check status	1624-7-3	PENDING
Hong Kong	UTM SYSTEMS	99/16147	1999/11/08					1624-8-3	ABANDONED

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(Client No. 1624)

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Japan	UTM SYSTEMS <sup>iv</sup>	11-98903	1999/11/01					1624-8-2	ABANDONED
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Mexico	UTM <sup>vi</sup>	397298	1999/11/01	656404	1999/11/01	2009/11/01	Renewal	1624-7-5	REGISTERED
Mexico	UTM SYSTEMS <sup>vii</sup>	397297	1999/11/01	656403	1999/11/01	2009/11/01	Renewal	1624-8-5	REGISTERED
Taiwan	UNIVERSAL TELLER MACHINE	88054370	1999/11/01					1624-9-7	ABANDONED
Taiwan	UTM	88054368	1999/11/01					1624-7-7	ABANDONED
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UTM Systems Corporation  
(Client No. 1624)

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United States	UTM SYSTEMS	75/646,236				2001/09/26	Check status	1624-8-1	ABANDONED 7/4/00: published  Check to see if they want to revive in 6 months

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ii Electrical communication machines and instruments; electronic machines and instruments and parts and accessories for these

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iv Electrical communication machines and instruments

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vii Electronic devices with embedded authentication and encryption microprocessors for connection to or embedding within computers, telephones and other communication devices

viii Security and authentication devices, namely integrated circuit chips featuring embedded authentication and encryption logic for incorporation in computers, telephones and other communication devices



10/568095

IAP5 Rec'd PCT/PTO 10 FEB 2006

Hon. Karen A. Overstreet  
Chapter 7  
Hearing: April 22, 2005  
9:30 a.m.

UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

In re	)	No. 01-19563
UTM SYSTEMS CORPORATION,	)	
	)	ORDER GRANTING GRAYBEAL
Debtor.	)	JACKSON & HALEY LLP RELIEF
	)	FROM STAY

THIS MATTER having come before the Court on the motion of Graybeal Jackson & Haley LLP and the Court finding that notice and opportunity for a hearing were adequate under the circumstances, that no objection to the relief requested was filed by the response date, and good cause otherwise being shown, now, therefore, it is hereby

ORDERED as follows:

1. That the motion of Graybeal Jackson & Haley LLP for relief from stay be, and the same is hereby, granted.

2. That the automatic stay of 11 U.S.C. § 362(a) be, and the same is hereby, lifted to permit Graybeal Jackson & Haley LLP to pursue available remedies under nonbankruptcy law to realize upon the intellectual property listed on Exhibit A attached hereto.

3. That Graybeal Jackson & Haley LLP be, and the same is hereby, authorized to take any other action permitted under its security agreement which is not prohibited under nonbankruptcy law.

//

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ORDER GRANTING GRAYBEAL JACKSON &  
HALEY LLP RELIEF FROM STAY - 1

LAW OFFICE OF JOHN J. MITCHELL  
811 First Ave., Suite 620  
Seattle, WA 98104  
(206) 903-8555

4. That the relief from stay granted herein be, and it is hereby, effective immediately upon the entry of this order, notwithstanding the provisions of Fed. R. Bankr. P. 4001(a)(3).

DATED the \_\_\_\_\_ day of April, 2005.

*Karen A. Overstreet*  
KAREN A. OVERSTREET  
United States Bankruptcy Judge

Presented by:

/s/ John J. Mitchell  
WSBA No. 12757  
Attorney for Graybeal Jackson Haley LLP

**Status of UTM Systems Corporation Patent Applications**  
April 1, 2001

1624-1-2	U.S. APPL. NO.:	09/322,670	DATE FILED: May 28, 1999
1624-2	U. S. APPL. NO.:	09/322,669	DATE FILED: May 28, 1999
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1624-3-4	PCT/US00/14449		DATE FILED: May 25, 2000
1624-3-5	Taiwan Appl. No.	89110220	DATE FILED: June 14, 2000.
1624-4-4	U. S. APPL. NO.:	09/580,321	DATE FILED: May 26, 2000
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<sup>viii</sup> Security and authentication devices, namely integrated circuit chips featuring embedded authentication and encryption logic for incorporation in computers, telephones and other communication devices

## John Janeway

---

**From:** John Janeway [jjaneway@graybeal.com]  
**Sent:** Monday, October 10, 2005 4:15 PM  
**To:** 'thoney@att.net'; 'tehoney@aol.com'  
**Subject:** U.S. patent application revival and Declaration for your review and signature

Dear Mr. Honey:

I'm John Janeway, a patent attorney with Graybeal Jackson and Haley LLP (GJH). GJH has recently obtained ownership of a patent application on technology that you helped invent for UTM Systems Corp. GJH has obtained this application from the bankruptcy estate of UTM Systems Corp. and is now reviving it. To complete the revival, we ask you to please sign the Declaration attached below and then fax me (425.455.1046) the signed Declaration. Or, if you prefer, you can generate an Adobe Acrobat (.pdf) version of the declaration signed by you, and then email me the .pdf version.

The specific patent application (attached below) that we are reviving and that is referenced in the Declaration below is PCT/US00/14592, filed 26 May 2000, titled "NETWORK AUTHENTICATION WITH SMART CHIP AND MAGNETIC STRIPE". As you may recall, before UTM Systems entered bankruptcy you assigned UTM Systems Corp. all your rights to the patent application and the technology. And, you previously signed a declaration for the U.S. patent application on this technology that was filed before the PCT application was filed.

If you have any questions, please contact us.

We greatly appreciate your help and prompt consideration in this matter.

John M. Janeway  
Associate Attorney  
Graybeal Jackson Haley LLP  
Phone: 425.455.5575  
Fax: 425.455.1046  
email: jjaneway@graybeal.com

Privileged/Confidential Information may be in this message. If you are not the intended addressee, please treat this message as confidential, contact me immediately, discard the message, and do not use or retain its contents. Thank you.



2366-001-03  
claration.doc



PCTUS00145  
32.pdf (1 MB)

**DECLARATION AND POWER OF ATTORNEY  
IN PATENT APPLICATION**

Attorney Docket No.: 2366-001-03

As a below named inventor, I hereby declare:

My residence, post office address and citizenship are as stated below next to my name.

I believe that I am an original, first and joint inventor of the subject matter that is claimed and for which a patent is sought on the invention entitled:

**NETWORK AUTHENTICATION WITH SMART CHIP AND MAGNETIC STRIPE**

the specification of which

- ☐ is attached hereto.
- ☒ was filed on May 26, 2000 as PCT International Application No. PCT/US00/14592 and was amended on \_\_\_\_\_ (if applicable).

I hereby state that I have reviewed and understand the contents of the above-identified specification, including the claims, as amended by any amendment referred to above.

I acknowledge the duty to disclose information which is material to patentability as defined in Title 37, Code of Federal Regulations, Section 1.56.

I hereby claim foreign priority benefits under Title 35, United States Code, Section 119(a)-(d) or Section 365(b), of any foreign application(s) for patent or inventor's certificate, or Section 365(a) of any PCT international application designating at least one country other than the United States listed below and have also identified below any foreign application for patent or inventor's certificate having a filing date before that of the application on which priority is claimed.



Prior Foreign Application(s):

<u>Number</u>	<u>Country</u>	<u>Date Filed</u>	<u>Priority Claimed</u>
_____	_____	_____ Day/Mo/Year	<input type="checkbox"/> Yes <input type="checkbox"/> No
_____	_____	_____ Day/Mo/Year	<input type="checkbox"/> Yes <input type="checkbox"/> No

I hereby claim the benefit under Title 35, United States Code Section 119(e) of any United States provisional application(s) listed below.

<u>Application No.</u>	<u>Filing Date</u>
_____	_____

I hereby claim the benefit under Title 35, United States Code, Section 120 of any United States application(s), or Section 365(c) of any PCT international application designating the United States listed below, and, insofar as the subject matter of each of the claims of this application is not disclosed in the prior United States or PCT international application in the manner provided by the first paragraph of Title 35, United States Code, Section 112, I acknowledge the duty to disclose information which is material to patentability as defined in Title 37, Code of Federal Regulations, Section 1.56, which became available between the filing date of the prior application and the national or PCT international filing date of this application.

<u>Application Number</u>	<u>Filing Date</u>	<u>Status: Patented/ Pending/Abandoned</u>
09/322,670	May 28, 1999	Currently Abandoned
PCT/US00/14592	May 26, 2000	Currently Expired

I hereby appoint the attorneys associated with Customer No. 000996 to prosecute this application and to transact all business in the United States Patent and Trademark Office connected therewith. Address all correspondence and phone calls to:

John M. Janeway  
GRAYBEAL JACKSON HALEY LLP  
155 - 108th Avenue NE, Suite 350  
Bellevue, WA 98004-5901 USA  
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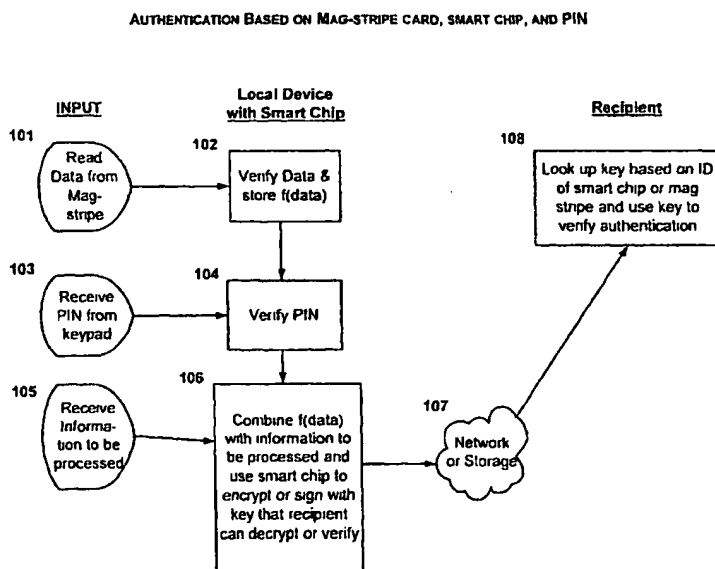
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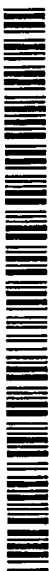
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(54) Title: NETWORK AUTHENTICATION WITH SMART CHIP AND MAGNETIC STRIPE



(57) Abstract: A method for using a device that incorporates a magnetic stripe card reader head with a smart chip and can be connected to a computer network such as the Internet to authenticate a user to a remote server on the network. The method involves reading data from the magnetic stripe (101), verifying data from the magnetic stripe (102), receiving a personal identification number entered on a keyboard on the device (103), verifying the personal identification number (104), encrypting with a key contained in the smart chip a piece of data for sending to the remote server along with information identifying the source (106), and, on the remote server, looking up an appropriate key for decryption based on the identification of the source and verifying the authentication if the decryption is successful (108). Variations on the method include

verifying the mag-stripe data on a remote server instead of within the smart chip, verifying the PIN on a remote server instead of within the smart chip, and adding various kinds of information to be sent to the server along with the essential elements required for authentication. The method may be used to authenticate digital signatures or signature guarantees, or for transactions using debit cards or credit cards. If the reader device with a smart chip is owned by a merchant, the merchant can further authenticate himself with a personal identification number, and the card holder will swipe his card into the device and identify himself with a second personal identification number.



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**NETWORK AUTHENTICATION WITH SMART CHIP AND MAGNETIC STRIPE***Relation to Previous Application*

This application is a continuation-in-part of application U.S. Patent  
5 Application, Serial No. 09/322,670 filed on May 28, 1999.

*Technical Field:*

The invention relates to methods in networked computer systems for  
authenticating a user to a server using a magnetic stripe card and a card reader with  
10 a smart chip connected to or embedded in a user device such as a computer or  
cellular telephone.

*Background of the Invention:*

Many forms of plastic cards have magnetic stripes that contain the  
15 cardholder's personal information, e.g., name and card account number. There are  
readers for reading the magnetic stripes at many retail point-of-sale locations. Debit  
cards can be used at these locations by swiping the card through the reader and  
entering a personal identification number (PIN) into the reader's keypad. Adequate  
authentication of the user is achieved by a secure communications connection  
20 between the reader and a remote computer/server and by the cardholder possessing  
a debit card that can be read by the reader and knowing the PIN associated with the  
card.

For transactions on unsecure networks such as the internet, the above-  
described secure authentication features are not available. There is no adequately  
25 secure communications connection between a card reader that is connected to the  
user's host computer and the remote computer/server.

Various companies, including IBM, Hewlett-Packard, Intel, and Wave have  
proposed solving this problem by including a "smart chip" in each personal computer  
for secure authentication. The smart chip stores or creates on command a unique,  
30 encrypted identification code that cannot be read but can be used to prove the  
identification of the chip to a remote computer/server across a communications line.  
Thus, proper decryption of this code by the server provides a secure identification of  
the computer. Presumably, the owner of the host computer with the smart chip can

be held responsible for its use. Entry of a PIN at a keyboard connected to the host computer may also be required. With the ability to prove which host computer placed a communication for a transaction and that a particular PIN was used, adequate secure authentication will be achieved for many network transactions.

5 Other companies have proposed the use of smart cards placed in a smart-card reader at each host computer for secure authentication. Each smart card includes a smart chip as described above. The smart card is guarded by its owner like a key. The person who possesses the smart card is presumed to be its proper owner. Entry of a PIN at a keyboard connected to the host computer to which the  
10 smart card reader is connected can also be required. With the ability to prove which smart card was used for a transaction and that the PIN associated with the smart card was also used, adequate secure authentication will be achieved for many network transactions.

## 15 SUMMARY OF THE INVENTION

The invention is a method for using a device that incorporates a mag-stripe card reader head with a smart chip and can be connected to a computer network such as the internet. The device includes a slot for swiping a mag-stripe card, a read head within the slot, and a secure identity circuit for authentication (smart chip). For purposes of this discussion, a smart chip (authentication circuit) is a circuit that can perform authentication to a remote server across a network by confirming a unique identification to the remote server without revealing to the local computer or any intervening device in the communications link enough information that, if captured, can be used to imitate the smart chip. Such chips are well known. They generally work by using a secret key to encrypt a piece of information. If the appropriate decryption key successfully decrypts the information, the identity is authenticated.

The authentication circuit (smart chip) provides a unique identity of the device and the person to whom the smart chip was issued is kept in a database. Although the mag-stripe card can be duplicated or imitated, unlike the smart chip, and is therefore less secure than the smart chip, requiring the use of a mag-stripe card with certain information which matches information contained within a database as well as the smart chip increases the confidence of authentication. Therefore, such a device provides additional security to a transaction on an unsecure network such as

the internet because the user was required to possess both the magnetic stripe card with appropriate information and a smart chip that authenticates to the server, thereby increasing the security of authentication.

For still greater security of authentication, a personal identification number (PIN) is also required. The PIN may be associated either with the mag-stripe card or with the smart chip or be a single PIN which is associated with both of them. The PIN may be verified by the smart chip or it may be transmitted to the server for verification, preferably using encryption by the smart chip before it is transmitted. The PIN may be entered on a keyboard of a personal computer to which the device is connected or, for better security, on a keypad on the device with the smart chip.

The reader device with the smart chip may be used by a merchant to authenticate himself to a financial institution using the smart chip and a PIN. The merchant may then swipe a payment card, such as a credit card or debit card, from a customer to perform a card present financial transaction. If the entry of a PIN is required of the customer, the customer can enter a second PIN on the keypad. When used for this purpose, the merchant will have entered a PIN to authenticate the identity of the merchant and the customer will also have entered a PIN to authenticate the identity of the customer.

If the user device is configured to work with several different mag-stripe cards, each can require a different PIN. Information from the mag-stripe card is passed to the smart chip which then determines which PIN is required based on that information and based on information securely stored in the smart chip's memory. Also, the information read from the magnetic stripe card can be used to verify that an appropriate card has been swiped. If the information read from the card does not match processing requirements securely stored in the smart chip, the required authentication will fail.

### BRIEF DESCRIPTION OF THE DRAWINGS

Figure 1 shows the invented method in a preferred embodiment.  
Figure 2 shows a variation of the invented method where data from the mag-stripe is verified on a server.

Figure 3 shows an elaboration of the method for use in payment card transactions.

Figure 4 is a side plan view of a card reader with smart chip.

Figure 5 is a block diagram of the circuitry for the card reader of Figure 4.

Figure 6 is a top plan view of a cellular telephone that includes a smart chip and card reader.

5        Figure 7 is a front perspective view of a computer system to which is connected the card reader of Figure 4.

### DETAILED DESCRIPTION OF THE INVENTION

Each card reader is uniquely identified by a smart chip, which may be on a  
10    removable card, and each smart chip is associated with a respective owner through the unique identification. The unique identification code of the smart chip is registered on a remote central computer/server in association with accurate identification of the owner to whom the smart chip was issued. Using a secure PIN, the smart chip owner can access the functions of the smart chip. When a cardholder  
15    places a mag-stripe card in the reader, the name or other identification is read from the card and is compared with an identification on the central computer/server associated with the unique identification code stored in or generated by the smart chip. If the name and code do not match, then the transaction may be disallowed for inadequate authentication. By this process, two hardware items are required to  
20    authenticate the user: a mag-stripe card containing certain information and a smart chip with a secure authentication feature proving a certain identification. Requiring both together provides a more secure authentication than requiring either alone. For further security, a PIN may also be required.

The card reader is preferably portable and easily connected to or  
25    disconnected from the cardholder's computer or any other host computer. This allows the cardholder to easily guard his/her possession of the reader and to permit others to use his/her computer without a security risk. Alternatively, the smart chip may be removable to achieve the same security. Unlike prior art smart card systems, however, possession of only the smart-card reader and knowledge of a PIN  
30    is not enough to establish authentication. A mag-stripe card encoded with either a name that matches the name of the cardholder to which the reader was issued or a number that is on the authorized list is also required. Therefore, because the mag-



stripe card reader with smart chip is like a key, it is aptly described as a card reader with an electronic key.

To perform the authentication, the smart chip encrypts the identification code and magnetic-stripe information according to conventional encryption techniques.

5 Alternatively, the identification code may be stored in encrypted form on the smart chip or the information may be stored in encrypted form on the magnetic stripe for processing by the smart chip before being sent to the server. In such a case, the microcontroller does not alter the code or the magnetic-stripe information before sending it to the remote computer/server.

10 Then, the remote computer/server determines whether the cardholder identified by the magnetic-stripe information is authorized to use the card reader having a smart chip with the unique identification code. Typically, the remote computer/server stores the information for the cardholder who is authorized to use the particular card reader. Therefore, if the magnetic-stripe information corresponds  
15 to cardholder information stored for the unique code, then the remote computer/server allows the transaction to proceed. If, however, the magnetic-stripe information does not correspond to the cardholder information stored for the unique identification code, then the remote computer/server cancels the transaction.

#### **Methods Performed by the User Device and Servers**

20 Figure 1 shows the preferred method for using a card with a magnetic stripe and a smart chip to authenticate a user. In step 101, data is read from the magnetic stripe on the card by the magnetic stripe reader head. The data is processed in the local device, step 102. The functions of the local device may be performed in the smart chip or, for those functions which do not require the security of a smart chip, in  
25 an auxiliary processor. The data read from a card is verified, either by merely confirming that it appears to be complete and in the correct format or by using a secure storage feature of the smart chip to determine that the data read from the magnetic stripe, such as a user name or account number, matches data securely stored in the smart chip.

30 In step 102, information which is a function of the data read from the magnetic stripe,  $f(\text{data})$ , is stored in the smart chip or in an auxiliary memory. What is stored can be a portion of the original data or a hash of part of the original data or a

signature generated from part of the original data or an encryption of the data or any other information which is derived from the data and varies as a function of the data contents.

Once  $f(\text{data})$  has been stored, the process proceeds to step 103. In step 103,  
5 the user enters a personal identification number (PIN) at a keyboard. The keyboard is preferably not connected to a personal computer because they are unsecure and can be monitored by unauthorized software to capture the user's personal identification number. The keyboard is preferably located on a device containing the smart chip which is, in turn, connected to the personal computer such that the PIN is  
10 never transmitted to the personal computer.

In step 104, the PIN is verified. This can be accomplished in many ways. The preferred method is to use the well known PIN function of a smart chip. Alternatively, the PIN can be encrypted by an encryption function of the smart chip or a separate encryption circuit and transmitted to a remote server for verification. The  
15 PIN can be a PIN which is associated with the card or a PIN which is associated with the smart chip or a single PIN which is associated with both of them. If the information in the smart chip is configured to work with several mag-stripe cards, the PIN verification can be done in the smart chip even though any of several different PINs are verifiable.

20 Once the PIN is verified, the process proceeds to step 105. In step 105, information to be processed is received by the local device. If the authentication system is being used for a payment transaction, the information to be processed will be the details of the payment transaction specifying a dollar amount or a party to be paid or any other appropriate information. If the purpose of the authentication is to  
25 establish a digital signature which can not be repudiated, the information to be processed will consist of the document to be signed with the digital signature. If the purpose of the authentication is to allow an authorized person to make use of a secure network, the information to be processed will typically be a user name or a password for the network.

30 In step 106, the information derived from the mag-stripe,  $f(\text{data})$ , is combined with information to be processed and the smart chip is used to encrypt or sign the combined information with a key that a recipient can decrypt or verify.

In step 107, the signed or encrypted combined information is transmitted on an unsecure network or placed in a storage device for physical transmission to a recipient.

5 In step 108, the recipient identifies the appropriate key to use for decrypting the signature or the entire combined information based on an identification of the sender. The identification of the sender can be determined from an identification of the smart chip or data from the mag-stripe card. The recipient then uses the key to decrypt the signature or combined information. If the decryption is successful, this authenticates the identification of the smart chip that was used and reveals f(data)  
10 derived from magnetic stripe information on the card which can then be compared to records in a database to verify that the correct card (or a counterfeit thereof) was present.

In the process just described, the user was authenticated based on (1) possession of a magnetic stripe card with appropriate data and (2) possession of a  
15 smart chip with an appropriate encryption key and (3) knowledge of an appropriate personal identification number (PIN).

Figure 2 illustrates some variations on the method shown in Figure 1. One of the variations is that a personal identification number is not required. Another variation is that the verification of data read from the mag-stripe on the card is done  
20 on a remote server before the smart chip is used to encrypt or sign information such that when the information is decrypted authentication of the smart chip is established. The server that verifies the mag-stripe data before the process is allowed to proceed may be a different server from the server that receives the information to be processed.

25 In step 111, data is read from the mag-stripe on the card. In step 112, this data is encrypted and forwarded to a server via an unsecure network. In step 113, the mag-stripe information is decrypted to verify that the correct mag-stripe card has been read. Of course, for the essential purposes of the invented method, the mag-stripe data need not be encrypted before being forwarded to the server for  
30 verification. However, to minimize security risk, it is preferable to encrypt the information before transmission on the unsecure network. If the information on the card is verified, the process, on both the local device and on the server, then proceeds to the next step.

In step 114, information to be processed is received at the local device with a smart chip. At step 115, the information or a part of the information or a hash of the information is encrypted or signed and transmitted on the network. At step 116, the server is ready to receive the encrypted or signed information because it has already  
5 verified the data from the mag-stripe or has received a message from another server that this step was accomplished successfully. It then decrypts the information to verify that it was encrypted with a key contained within the appropriate smart chip. The user has now been authenticated based on both the smart chip and the data from the mag-stripe. In step 117, the information which has been authenticated is  
10 forwarded to recipients who rely on the authentication.

Figure 3 shows how the authentication based on a smart chip and a mag-stripe card is performed in the context of payment card transactions. A variation illustrated in Figure 3 is a step of mutual authentication between the user device and an authentication server.

15 In step 121, a personal account number (PAN) is read from the magnetic stripe on a payment card, which may be a credit card or debit card or ATM card. In step 122, the PAN is verified by the smart chip. The smart chip contains a copy of the PAN or data which is derived from the PAN,  $f(\text{PAN})$ , in its secure memory where it cannot be extracted from the smart chip. For the verification process, the PAN  
20 read from the mag-stripe card is loaded into the smart chip which performs a routine to compare it to the PAN or  $f(\text{PAN})$  within its secure memory. The smart chip then returns a verification that the PAN is correct or a denial that it is not correct. Then, somewhere in the user device, in the smart chip or in other memory, information which is a function of the PAN,  $f(\text{PAN})$ , is stored. If the PAN is verified, the process  
25 proceeds to the next step. If not, the process is aborted. The step of verifying the PAN can be omitted to allow any card to be used with the user device as discussed below.

In step 123, a PIN entered by a user is received from the keyboard. As discussed above, the keyboard is preferably connected to the user device but not to  
30 a local personal computer. In step 124, the PIN is verified by the smart chip. If the PIN is verified, the process proceeds to the next step. If it is not, the process is aborted.

In step 125, the smart chip in the user device initiates a communication to an authentication server across a network. At this point, the PAN has been verified and the PIN has been verified. Now the authentication server verifies the identification of the smart chip using any of several well established smart chip authentication  
5 procedures, step 126. The authentication may be one sided, as just described, from the user device to the server. Preferably, the server also authenticates itself to the user device by sending to the user device an encrypted nonce which only the user device with a key contained within secure memory in the smart chip can decrypt. If  
10 the user device properly authenticates itself to the server and the server properly authenticates itself to the user device, the user device will then proceed to the next step.

At this point, the user has been authenticated by possession of a positively identified smart chip, possession of a card with a magnetic stripe (or a counterfeit thereof) and knowledge of a personal identification number. As mentioned above,  
15 the requirement of the PIN can be omitted. If any one of these three required elements has failed, the process is aborted.

In step 127, transaction data is received by the user device. This will typically be a dollar amount and an identification of a merchant to be paid. Because the personal account number will be required for subsequent processing of the  
20 transaction,  $f(\text{PAN})$  is combined with the transaction data and the two are encrypted or signed using the smart chip, step 128. The encrypted or signed data is transmitted across an unsecure network to a recipient.

At step 129, the recipient computer decrypts the encrypted or signed data. If decryption is successful, this verifies that a particular key was used which key is  
25 contained only in a certain smart chip, thereby authenticating that the particular smart chip was used. To determine which key to use for decryption, the owner of the smart chip is verified based upon the personal account number which was transmitted in one form or another as  $f(\text{PAN})$ .

As an alternative embodiment, instead of using  $f(\text{PAN})$  to look up the key to  
30 use for decryption, other unencrypted information identifying the smart chip can be sent along with the transaction data and  $f(\text{PAN})$ . This other information can then be used to find the key for decrypting a message encrypted with that smart chip. In this embodiment, the mag-stripe card that is used in step 121 can be a card that does

not belong to the person who owns the smart chip used for encryption in step 128. For example, the reader with smart chip can be a merchant who wishes to accept a credit card or a debit card for payment. In this case, in addition to the smart chip owner entering a PIN in step 123, the card holder can be required to enter a PIN for the cardholder for verification by a server. If the card was a credit card, the fact that f(PAN) was derived from data read from the card provides a verification that the card was present. If the card is a debit card, the card owner has entered the appropriate PIN which is then encrypted along with f(PAN) in step 128 and forwarded to the recipient for verification of the PIN entered by the cardholder.

If additional security is desired in any of the above described methods or variations, the server can transmit to the user device a challenge seeking a response that only an authentic user would know, such as date of birth, mother's maiden name, social security number, PIN, etc. The challenge can be presented on a screen display at the user's location, typically a personal computer or cell phone. The response entered by the user can be sent, with or without encryption, to the server as an additional authentication step.

In addition to the suggested uses for payment card transactions, the invented method can be used for additional security for digital signatures. By requiring the party making the signature to possess both the proper smart chip and the proper card with a magnetic stripe, it becomes more difficult for the owner of these two devices to later repudiate his signature and claim that he was impersonated. This can have particular value for parties who wish to guarantee signatures of others in transactions such as stock transfer transactions. In these situations, the company responsible for making stock transfers relies on a trusted party to guarantee the signature of the transferor who is someone that the guarantor knows or has meet in person to satisfy himself on identification. The guarantor then needs to apply his own digital signature so that the transaction information can be immediately transferred by a network for execution. By requiring the guarantor to possess both the magnetic stripe card with appropriate data and a smart chip with an appropriate securely stored encryption key, the stock transfer company can be confident that they are dealing with the guarantor and not an impersonator.

#### **User Device Hardware Description**

The mag-stripe card reader with smart chip may be embodied in a PCMCIA card for insertion into a PCMCIA slot, in an external card reader that plugs into a serial or parallel port or keyboard port such as the Innovonics device (Figure 11 of US Patent 5,815,577), or in a device which is mounted in the case of a personal host  
5 computer much like a disk drive or CD-ROM drive. Because the reader includes a smart chip, which may be removable, the smart chip may be used for other familiar smart chip functions such as digital signatures or storing electronic cash for micro-payments. The mag-stripe reader with smart chip may be coupled to a computer system or to a web TV system by any of the familiar methods: serial port, parallel  
10 port, keyboard port, USB port, infrared link, PCMCIA slot, or simulation of a floppy disk in a disk drive as disclosed in US patent application serial number 09/322,669 by one of the same inventors.

The mag-stripe card reader with smart chip may be incorporated into another portable device such as a cellular telephone (Figure 6) or personal digital assistant  
15 (PDA). When incorporated into a cellular telephone, a credit card or debit card may be used to charge a telephone call or remotely authorize a charge to the account for any other reason, or the owner can download cash (telephone usage credits) into the smart chip and then give the telephone to another to use with the stored credits as a limit on the amount of telephone charges that can be incurred. Similarly, when  
20 incorporated into a PDA, it may be used with the PDA's communication features.

Figure 4 is a side plan view of a card reader 10 according to an embodiment of the invention. The reader 10 includes a housing 12 having a slot 14 for receiving a card 16 having a magnetic stripe 18. The slot 14 provides adequate clearance for receiving the card but a tight enough fit to ensure that the magnetic stripe 18 is  
25 properly aligned for reading. A conventional magnetic read head 20 reads the information stored on the magnetic stripe 18 as the card 16 is inserted into the slot 14. An optional and conventional sensor 22 senses whether the card is present within the slot 14. A smart chip 24, which may be removable such as by mounting on a smart card or on a SIM, contains a unique code that identifies the card reader  
30 10. A cable 26 allows communication to a host computer such as a personal computer, or the card reader 10 may be wireless, and thus include a radio or infrared transmitter instead of the cable 26. A light-emitting-diode (LED) array 28 or other display indicates the status of the card-reader 10. An optional keyboard, shown as

component 60 in Figure 7, allows the user to enter a personal identification number (PIN). With the keyboard and a removable smart chip on a card placed in smart card slot 62 in Figure 7, this device is essentially the same as shown in Figure 11 of US Patent 5,815,577 to Innovonics.

5           The smart chip 24 may be programmed for authentication via dual key (public/private) encryption such as for use with the secure electronic transactions (SET) protocol. Alternatively, the smart chip 24 may include electronic-key circuitry that is capable of authentication by securely encrypting a unique identifier and transmitting it to a remote computer/server such as with DES encryption or another  
10       encryption protocol.

          Figure 5 is a schematic block diagram of a circuit 30 for the card reader 10 of Figure 4. The circuit 30 includes the smart chip 24 and the LED 28. In addition, the circuit 30 includes optional card detection/retention circuitry 32. In one embodiment, the circuitry 32 includes the card sensor 22 (Figure 4) and monitors whether the card  
15       16 (Figure 4) is inserted within the slot 14 or not. In another embodiment, the circuitry 32 includes conventional hardware for retaining the card 16 within the slot 14 until a transaction is complete. Additionally, if the user enters a wrong PIN number for more than a predetermined number of times or performs some other incorrect act, the circuitry 32 may permanently retain the inserted card on the basis  
20       that the user is not authorized to possess it. Magnetic-stripe read circuitry 34 includes the read head 20 (Figure 4) and reads the magnetically encoded data from the magnetic stripe 18 and converts it into a digital read signal. A microcontroller 36 is coupled to the smart chip 24, the LED circuit 28, the detection circuit 32, and the read circuitry 34. In one embodiment, the microcontroller 36 includes a processor,  
25       buffers, memory, and other peripheral circuits. Alternatively, the microcontroller functions may be preformed by a microcontroller in the smart chip or by a programmable logic array or other logic circuit.

          Referring to Figures 4 and 5, in operation, a cardholder inserts the card 16 into the slot 14 of the card reader 10 after the LED array 28 indicates that the reader  
30       10 is ready to accept the card 16. As the magnetic stripe 18 moves by the read head 20, the head 20 senses the magnetically encoded information on the stripe 18 and converts this information into electrical signals. The read circuitry 34 then converts these electrical signals into a digital signal that represents the stored



information and provides this digital signal to the microcontroller 36. After the microcontroller 36 receives this stored information, it causes the LED to indicate successful reading. Additionally, the sensor 22 generates a signal indicating that the card 16 has been inserted into the slot 14, and the circuitry 32 provides this signal to the microcontroller 36.

Next, the microcontroller 36 obtains the unique identification code from the smart chip 24, which is preferably generated by encryption of data received from an external source, and provides this unique code and the information read from the magnetic stripe 18 to a remote computer/server via the host computer to which the card reader 10 is connected.

The microcontroller may also send confirmation to the remote computer/server that the card 16 is inserted within the slot 14, *i.e.*, that the card 16 has not been removed from the slot 14 since the magnetic-stripe information has been read. The remote computer/server may cancel the requested transaction if the card 16 is removed from the slot 14 before the transaction is complete. The circuitry 32 provides information to the microcontroller 36 as to the relative position of the card 16 with respect to the slot 14. In one embodiment, the card sensor 22 detects when the cardholder removes the card 16 from the slot 14, and the circuitry 32 notifies the microcontroller 36. If the transaction is not completed, then the microcontroller 36 notifies the remote computer/server of the premature card removal, and the remote computer/server may cancel the transaction in response to this notification. Alternatively, the remote computer/server may periodically poll the microcontroller 36, which notifies the remote computer/server of the card position (inserted or removed) with respect to the slot 14.

Still referring to Figures 4 and 5, the card sensor 22 and the card detection circuitry 32 are omitted from the card reader 10 in another embodiment of the invention. In this embodiment, the microcontroller 36 determines that the card 16 is inserted into the slot 14 in response to receiving the magnetic-stripe information from the read circuitry 34 as the cardholder inserts the card 16 into the slot 14. Likewise, the microcontroller 36 determines that the card 16 is removed from the slot 14 in response to receiving the magnetic-stripe information as the cardholder removes the card 16 from the slot 14. Therefore, in one embodiment, the microcontroller 36 receives the magnetic-stripe information as the cardholder inserts the card 16 into

the slot 14 and sets a corresponding flag. As long as the microcontroller 36 does not re-receive this information, it determines that the card 16 is present within the slot 14 and does not reset the flag. But once the microcontroller 36 receives the magnetic-stripe information again, it determines that the cardholder is removing or has removed the card 16 from the slot 14 and thus resets the flag. The microcontroller 36 may then notify the remote computer/server of the card's removal as discussed above.

Figure 6 is front plan view of a cellular telephone 40, which includes a card reader according to an embodiment of the invention. The telephone 40 includes a case 42 and a card slot 44 formed therein. The telephone 40 also includes the smart chip 24, which might be removable by mounting on a SIM chip such as is commonly used in cellular telephones, and the read head 20, and may include the card sensor 22, of Figure 4 and the circuitry 30 of Figure 5. Alternatively, the telephone 40 may omit the sensor 22 and use the microcontroller 36 to determine the card position with respect to the slot 44 as described above. The slot 44 has a stop 46 to hold the card in place while the transaction is taking place. The telephone 40 transmits the unique identification code from the smart chip, information read from the magnetic stripe 18 of the card 16 (Figure 4), and other transaction information via an antenna 48 and cellular network (not shown) to the remote computer/server.

Figure 7 is a front view of a computer system 50, which includes the card reader 10 according to an embodiment of the invention with a slot 14 for the mag-stripe card. The system 50 includes a computer 52 and a monitor 54, keyboard 56, and mouse 58 connected to the computer 52. The keypad 60 on the card reader is shown, as well as the slot 62 for removing the smart chip which is mounted on a smart card. This embodiment is essentially the same as shown in Figure 11 of US Patent 5,815,577 to Innovonics. Alternatively, the card reader with smart chip may be incorporated into the personal computer.

From the foregoing it will be appreciated that, although specific embodiments of the invention have been described herein for purposes of illustration, various modifications may be made without deviating from the spirit and scope of the invention which is defined in the following claims.

What is claimed:

1. A method performed in a server on a network for securely authenticating to the server a user having a magnetic stripe card and a user device including a smart chip connected to a magnetic stripe reader, comprising the steps of:
  - 5 a. receiving at the server information including a user device identification in a form for identifying a smart chip connected to a magnetic stripe reader and a card identification in a form for identifying a card read by said reader from a magnetic stripe on a card;
  - b. decrypting said user device identification and comparing the  
10 decrypted identification to records in a database to find a match;
  - c. comparing said card identification to records in a database to find a match; and
  - d. approving the user as authentic if a record matches the  
15 decrypted user device identification and that record is associated with a record that matches the card identification.
2. The method of claim 1 further comprising:
  - e. receiving at the server a personal identification number; and
  - f. comparing the received personal identification number to  
records in a database to find a match.
- 20 3. A method for securely authenticating to a server on a network the identity of a user having a magnetic stripe card and a user device including a smart chip, a keyboard and a magnetic stripe reader, comprising the steps of:
  - a. on the user device, receiving at the magnetic stripe reader a  
card identification read from a magnetic stripe on a card and transmitting said card  
25 identification to the server;
  - b. on the user device, transmitting from the smart chip to the server a user device identification;
  - c. on the user device, receiving at the keyboard an entered personal identification number;
  - 30 d. on the server, comparing said user device identification to records in a database to find a match;

e. on the server, comparing said card identification to records in a database to find a match; and

f. approving the user as authentic if a record that matches the user device identification is associated with a record that matches the card identification, and the personal identification number satisfies a processing requirement.

4. The method of claim 3 wherein the user device identification is encrypted for decryption by the server.

5. The method of claim 3 wherein the processing requirement matches a personal identification number to a data record.

6. The method of claim 3 wherein the processing requirement is a function of information read by the magnetic stripe reader.

7. The method of claim 3 wherein the personal identification number is processed in the smart chip.

8. The method of claim 3 wherein the personal identification number is transmitted to the server and processed in the server.

9. A method for securely authenticating a user to a server on a public network performed in a user device including a smart chip, a keyboard and a magnetic stripe reader, comprising the steps of:

a. receiving at the magnetic stripe reader information read from a magnetic stripe on a card;

b. receiving at the keyboard an entered personal identification number; and

c. processing the personal identification number and, if it satisfies a processing requirement which is a function of information read from the magnetic stripe, transmitting from the smart chip to the server across the public network an encrypted user device identification code for identifying the smart chip to the server.

10. The method of claim 9 wherein the user device is human portable.

11. The method of claim 9, further comprising:

d. requesting an electronic cash transaction with a server; and downloading electronic cash into the smart chip in the user device.

12. The method of claim 9, further comprising:

d. processing the information read from the magnetic stripe and, if it does not satisfy a processing requirement, reaching a result of failure to authenticate.

13. The method of claim 9, further comprising:

d. receiving other information to be processed and forwarding said information to the server along with the encrypted user device identification code for identifying the smart chip to the server.

14. A method for securely authenticating a user to a server on a public network performed in a user device including a smart chip, a keyboard and a magnetic stripe reader, comprising the steps of:

a. receiving at the magnetic stripe reader information read from a magnetic stripe on a card;

b. receiving at the keyboard an entered personal identification number; and

c. processing the personal identification number and, if it satisfies a processing requirement which is a function of information stored within the smart chip, transmitting from the smart chip to the server across the public network information read from the magnetic stripe with an encrypted user device identification code for identifying the smart chip to the server.

15. The method of claim 14 wherein the user device is human portable.

16. The method of claim 14, further comprising:

d. processing within the smart chip the information read from the magnetic stripe and, if it does not satisfy a processing requirement, reaching a result of failure to authenticate.

17. The method of claim 14, further comprising:

d. receiving other information to be processed by the server and transmitting it to the server.

18. The method of claim 14, further comprising:

d. receiving a second personal identification number and transmitting it to the server.

19. A method for securely authenticating a user to a server on a public network performed in a user device including a smart chip, a keyboard and a magnetic stripe reader, comprising the steps of:

- a. receiving at the magnetic stripe reader information read from a magnetic stripe on a card;
  - b. processing the information read from the magnetic stripe and, if it satisfies a processing requirement, transmitting from the smart chip to the server
- 5 across the public network an encrypted user device identification code for identifying the smart chip to the server.
- 20. The method of claim 19, further comprising:
    - d. receiving other information to be processed by the server and transmitting it to the server.
  - 21. The method of claim 19, further comprising:
    - d. receiving a personal identification number and transmitting it to the server.
  - 22. The method of claim 19, further comprising:
    - d. receiving a personal identification number; and
    - e. processing the personal identification number and, if it does not satisfy a processing requirement, reaching a result of failure to authenticate.
  - 23. The method of claim 19 wherein the user device is human portable.
  - 24. The method of claim 19, further comprising:
    - d. requesting an electronic cash transaction with a server; anddownloading electronic cash into the smart chip in the user device.

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**Figure 1**  
AUTHENTICATION BASED ON MAG-STRIPE CARD, SMART CHIP, AND PIN

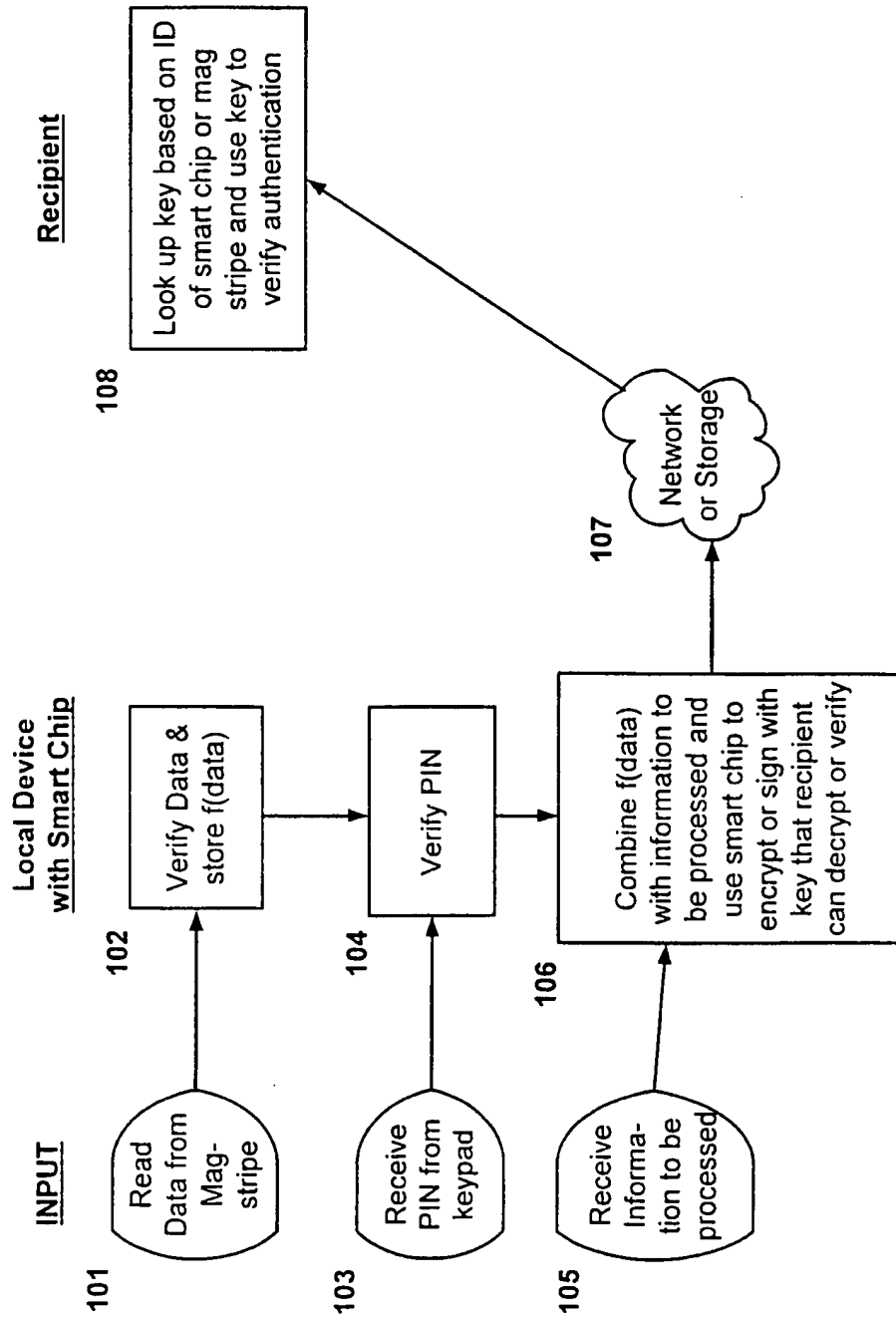


Figure 2

SMART CHIP AUTHENTICATION OF INFORMATION  
PRESENTED WITH A MAG-STRIPE CARD

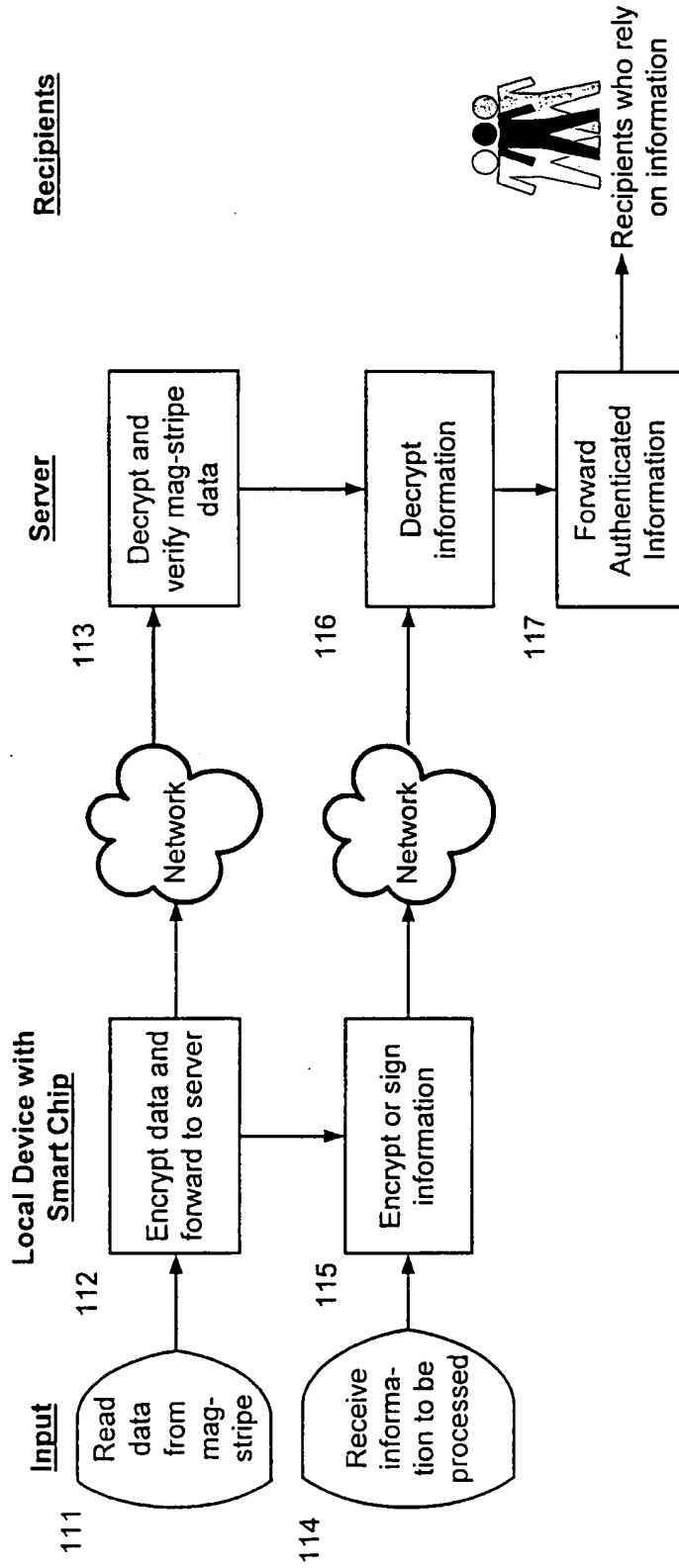
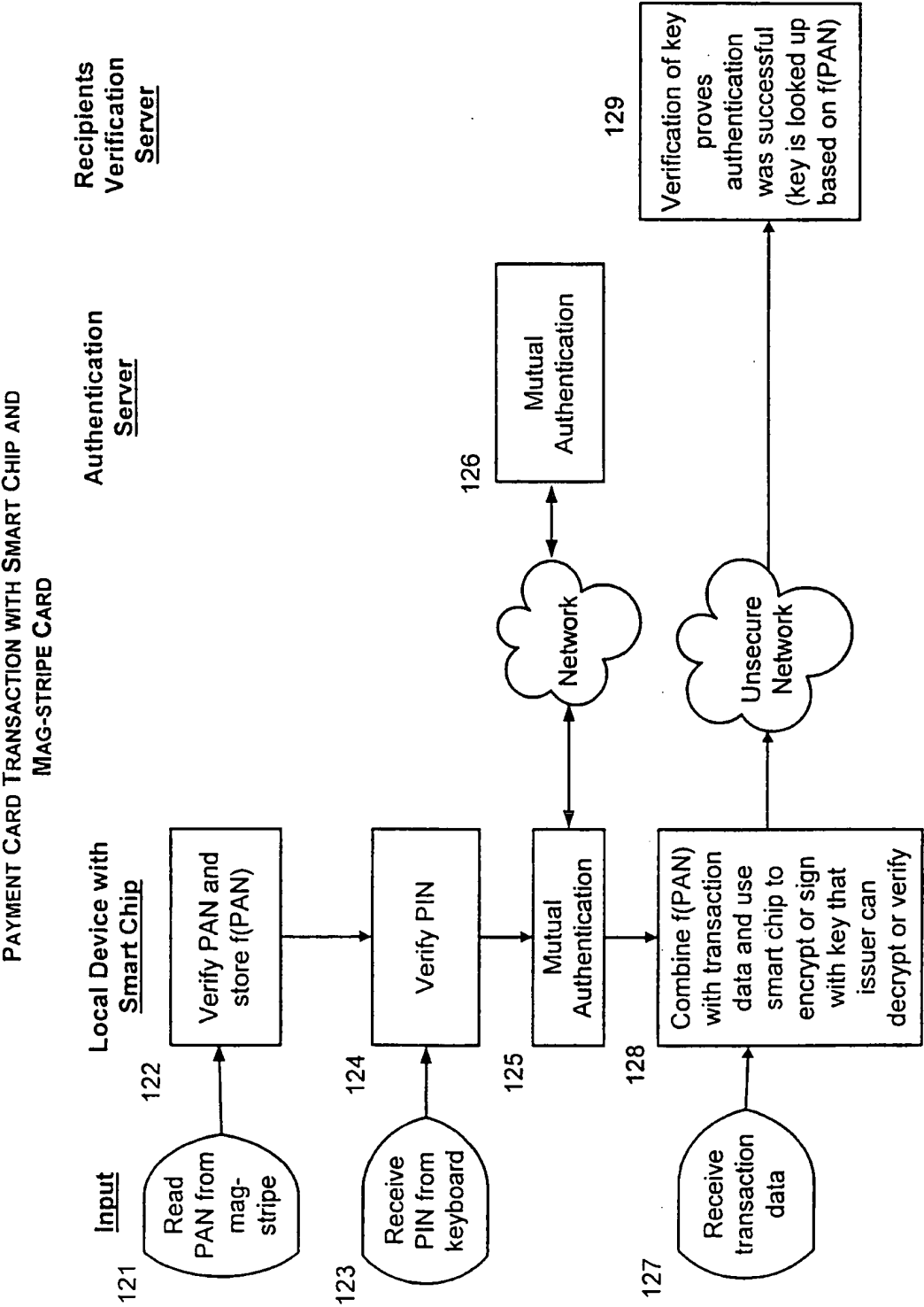




Figure 3



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Figure 4

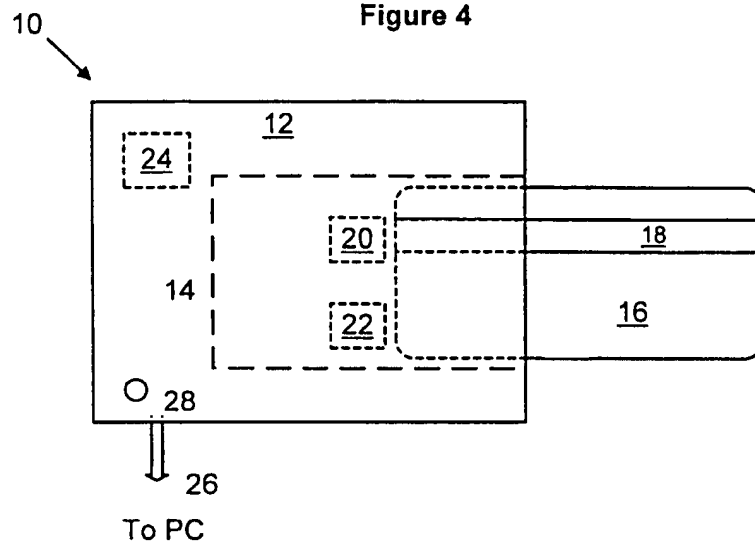
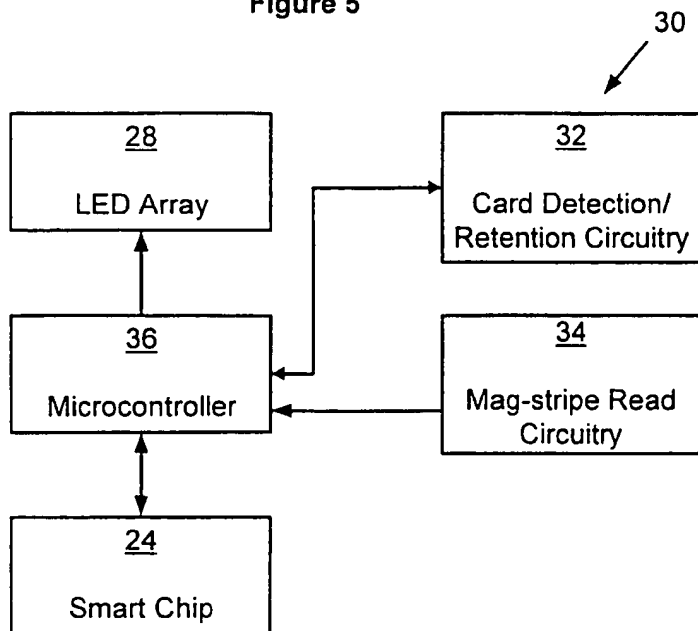


Figure 5



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Figure 6

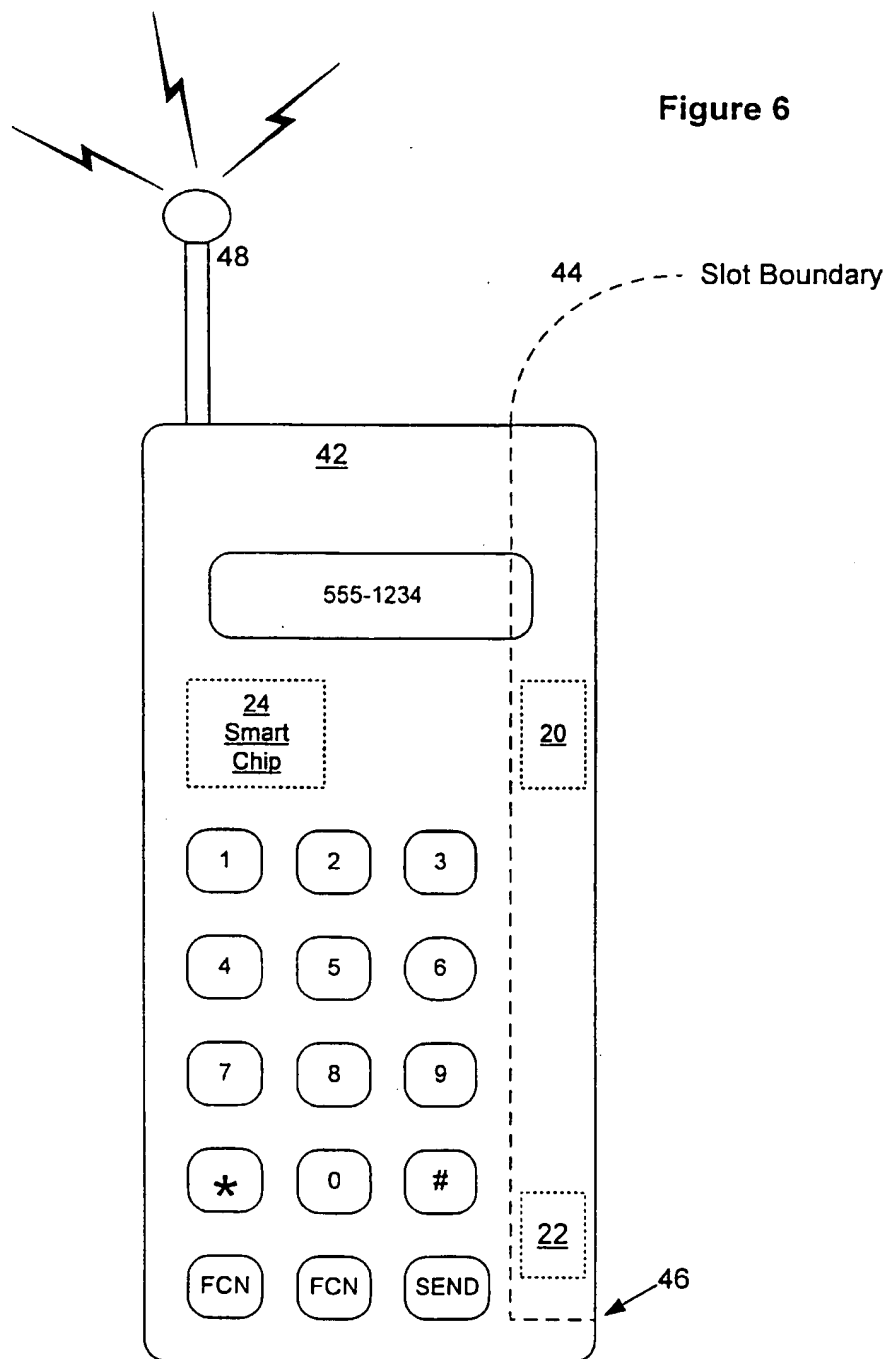
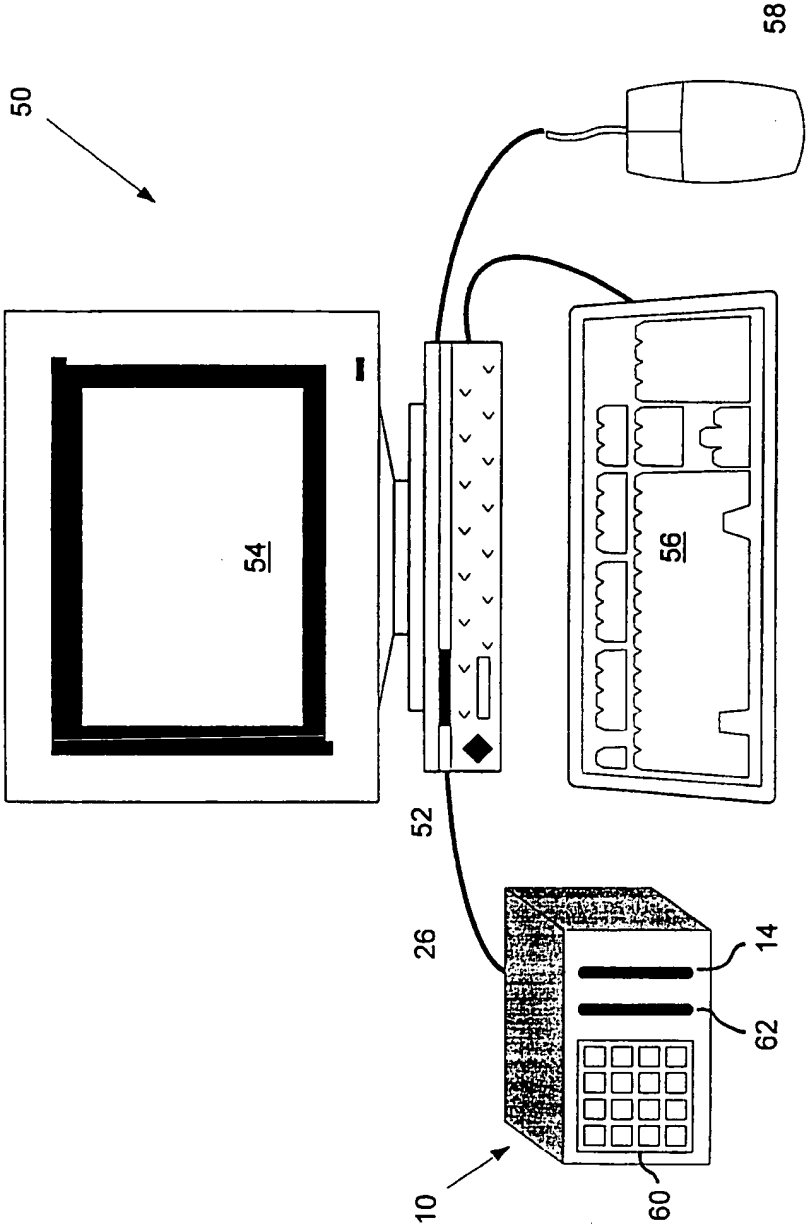


Figure 7



# INTERNATIONAL SEARCH REPORT

International Application No

PCT/US 00/14592

**A. CLASSIFICATION OF SUBJECT MATTER**  
IPC 7 G07F7/08 G07F7/10

According to International Patent Classification (IPC) or to both national classification and IPC

**B. FIELDS SEARCHED**

Minimum documentation searched (classification system followed by classification symbols)  
IPC 7 G07F

Documentation searched other than minimum documentation to the extent that such documents are included in the fields searched

Electronic data base consulted during the international search (name of data base and, where practical, search terms used)

EP0-Internal

**C. DOCUMENTS CONSIDERED TO BE RELEVANT**

Category *	Citation of document, with indication, where appropriate, of the relevant passages	Relevant to claim No.
X	WO 98 27519 A (RAJA YOGENDRA KHIMJI) 25 June 1998 (1998-06-25)  page 3, line 23 -page 8, line 30 page 12, line 11 - line 24 page 14, line 9 - line 27	1-3, 8-10,12, 14-16, 19,21-23
A	DE 295 20 925 U (PHILIPS PATENTVERWALTUNG) 17 October 1996 (1996-10-17)  the whole document	1-3,9, 10, 13-15, 17,19, 20,22,23
A	US 5 786 587 A (COLGATE JR GILBERT) 28 July 1998 (1998-07-28) column 7, line 32 -column 8, line 26  -/-	9,14,19

☒ Further documents are listed in the continuation of box C.

☒ Patent family members are listed in annex.

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Date of the actual completion of the international search

9 October 2000

Date of mailing of the international search report

18/10/2000

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# INTERNATIONAL SEARCH REPORT

International Application No

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## C.(Continuation) DOCUMENTS CONSIDERED TO BE RELEVANT

Category *	Citation of document, with indication, where appropriate, of the relevant passages	Relevant to claim No.
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A	DE 42 34 158 A (HOLZER WALTER) 14 April 1994 (1994-04-14) -----	

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Information on patent family members

International Application No

PCT/US 00/14592

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DE 4234158 A	14-04-1994	NONE	

**BREATHABLE WORKSHOES AND METHODS FOR  
MANUFACTURING SUCH**

**ABSTRACT OF THE DISCLOSURE**

[0051] Among other things, the present invention provides various footwear pieces, and methods for manufacturing such pieces. In various cases, the footwear pieces are molded from a lofting material. Further, in various cases, the footwear pieces include one or more ventilators formed in the footwear piece that are surrounded by liquid conductors capable of  
5 channeling liquid spilled on the surface of the footwear pieces away from a foot within the footwear pieces.

DE 7107164 v1



10/568095

**John Janeway**

IAP5 Rec'd PCT/PTO 10 FEB 2006

**From:** James Davis [jdavis@jamesdavislaw.com]  
**Sent:** Thursday, November 03, 2005 4:12 PM  
**To:** John Janeway  
**Cc:** Thomas E. Honey  
**Subject:** UTM Systems Corporation; Thomas E. Honey

Mr. Janeway,

As you know, I represent Thomas E. Honey. This is in further response to your email to Mr. Honey dated October 10, 2005, concerning a patent application of UTM Systems Corp.

Mr. Honey declines your request to execute a declaration concerning the invention and patent application. Furthermore, Mr. Honey advises that he was not compensated for his invention and that he disputes any contention that he has transferred or waived rights with respect to the invention and/or patent application.

You contend in your correspondence that your law firm has "obtained ownership" of the patent application. Mr. Honey is aware that your law firm obtained relief from the bankruptcy automatic stay in the UTM Systems Corp. Chapter 7 case in order to act upon its purported security interest. Neither Mr. Honey nor I have received any notice of sale or other action with respect to the security interest. Furthermore, any steps taken with respect to the security interest granted by UTM Systems Corp. would be immaterial with regard to Mr. Honey's rights.

Please provide me with explanation and documentary proof concerning your contention that your law firm has "obtained ownership" of the invention and the patent application, with respect both to Mr. Honey's interest and the interest of UTM Systems Corp.

James P. Davis

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